

SUBCOMMITTEE NO. 2

Agenda

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Resources—Environmental Protection—Public Safety—Energy

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Resources Bond Proposal

1. Overview of Resources Bond Proposal—Informational Issue

Background. The administration decided to postpone release of the majority of its resources bond proposal until later in the spring. As part of the April finance letter process, the administration submitted its resources bond proposal to the Legislature. The proposal includes among others expenditures from the following bond funds:

- **Proposition 50**—Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (\$3.44 billion);
- **Proposition 40**—California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (\$2.6 billion);
- **Proposition 13**—Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act (\$1.97 billion); and
- **Proposition 12**—Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (\$2.1 billion).

Governor's Budget and April Finance Letters. Appendix A provides detail on the administration's proposal to expend Proposition 40 and Proposition 50 resources bond funds in the budget year. In general, the bond proposal does not represent any significant changes from the five-year expenditure plans made by the previous administration. The administration does propose to slow the allocation of bond funds, and in some cases does not allocate any new bond funds, in the budget year for programs that have not expended bond fund allocations made in the current year. This mainly pertains to Proposition 50 grants for desalination, drinking water pilot projects, water use efficiency, and integrated regional water management. In addition, the administration is proposing to not allocate any program funds to the Santa Monica Mountains Conservancy pending resolution of some legal and administrative issues.

Further details on individual bond funded proposals are summarized under each department, respectively.

0540 Secretary for Resources

Background. The Secretary for Resources heads the Resources Agency. The secretary is responsible for overseeing and coordinating the activities of the following departments that make up the Resources Agency:

- Department of Conservation
- Department of Fish and Game
- Department of Forestry and Fire Protection
- Department of Parks and Recreation
- Department of Boating and Waterways
- Department of Water Resources
- State Lands Commission
- Colorado River Board
- California Conservation Corps
- Energy Resources Conservation and Development Commission
- San Francisco Bay Conservation and Development Commission
- California Bay-Delta Authority
- Wildlife Conservation Board
- State Coastal Conservancy
- San Joaquin River Conservancy
- California Tahoe Conservancy
- California Coastal Commission
- State Reclamation Board
- Baldwin Hills Conservancy
- Special Resources Programs
- San Diego River Conservancy
- San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy
- Santa Monica Mountains Conservancy
- Delta Protection Commission
- Coachella Valley Mountains Conservancy

Governor's Budget. The Governor's budget proposes \$6.8 million to support the Secretary for Resources in 2004-05. This is approximately 96 percent less than the level of expenditures estimated in the current year due to the administration's decision to defer the majority of its bond fund proposal until later in the spring.

The administration's April finance letter proposes to increase the budget for the Secretary for Resources by \$47.4 million in bond funds, thereby increasing the total budget for 2004-05 to \$54.2 million.

Secretary for Resources
Governor's Budget Spending Totals
(Dollars in Thousands)

	Actual 2002-03	Estimated 2003-04	Proposed for 2004-05	
			Amount	Percent Change
Type of Expenditure:				
Administration	\$130,295	\$188,095	\$6,802	-96%
Total	\$130,295	\$188,095	\$6,802	-96%
Funding Source:				
General Fund	\$7,581	\$0	\$0	-
Special Funds	2,630	2,647	2,671	1%
Bond Funds	109,362	184,678	3,347	-98%
<i>Budget Act Total</i>	<i>119,573</i>	<i>187,325</i>	<i>6,018</i>	<i>-97%</i>
Federal Trust Fund	9,975	255	269	5%
Reimbursements	747	515	515	0%
Total	\$130,295	\$188,095	\$6,802	-96%

Budget Change Proposals. No 2004-05 budget change proposals were submitted for the Secretary for Resources.

1. April Finance Letter—Bond Proposal

Summary. The following is a summary of the budget amendments requested by the administration in the 2004-05 April finance letter for the Secretary for Resources.

Secretary for Resources**April Finance Letter, 2004-05***(Dollars in Thousands)*

Description	Prop 40	Prop 50	Total	Positions
Urban Streams Reappropriation. Proposes to reappropriate \$4.6 million Proposition 40 for the urban streams program that provides technical and financial assistance to local agencies to address local flooding and erosion problems. The program was delayed by one year because of legal issues relating to prevailing wage regulations. The Department of Water Resources administers the program.	\$0	-	\$0	0.0
Proposition 50 Website Development. Proposes to shift funds to the Department of Parks and Recreation for the development of a website that would allow the public to identify the geographic location of Proposition 50 funded projects.	-	-68	-68	-0.5
River Parkways Program. Proposes to fund the River Parkways Program, which provides grants for park development, habitat restoration, and the development of public access trails along rivers.	7,850	30,500	38,350	0.0
Sierra Nevada Cascade Programs. Proposes to fund the Sierra Nevada Cascade Program, which provides grants for the acquisition of land and water resources to protect lakes, reservoirs, rivers, streams, and wetlands.	-	9,150	9,150	0.0
Administration. State operations support for the River Parkways and Sierra Nevada Cascade Programs.	-	633	633	4.0
Total	\$7,850	\$40,215	\$48,065	3.5

Restructuring the Office of the Secretary for Resources. The administration indicated in its January budget proposal that a plan to revise the structure of the Secretary for Resources is under development and will be released as part of the May Revision.

LAO Recommendation. The Analyst has withheld recommendation on the Secretary for Resources' support budget pending additional information on the proposed restructuring. The Analyst has raised concerns with the effectiveness of certain support expenditures proposed by the Secretary, including the California Environmental Resources Evaluation System and the Legacy Project. Furthermore, the Analyst recommends that the Legislature direct the Secretary to include a detailed description of the activities and positions funded as part of the Secretary's support budget.

Staff Recommendation. Staff recommends that *the subcommittee withhold action on the Secretary for Resources budget pending the forthcoming proposal to restructure the Secretary.* Staff also recommends that the *subcommittee request the administration to provide a detailed*

description of activities and positions funded as part of the Secretary's support budget as part of its restructuring proposal.

2. River Parkways and Sierra Nevada Cascade Programs

Background. As part of the 2003-04 budget deliberations a trailer bill (AB 1748) was sent to the Governor that, among other things, would have defined and established criteria for projects funded by the River Parkways and the Sierra Nevada Cascade programs. The bill provided over \$40 million for these programs from bond funding and proposed transferring the administration of these programs to the Wildlife Conservation Board (even though the bond allocates these funds to the Secretary for Resources). This bill was vetoed by the Governor, which resulted in no new funds for these programs in 2003-04.

Furthermore, the Analyst recommended in its 2003-04 Analysis that the Legislature adopt legislation that defines the River Parkways and Sierra Nevada Programs, including establishing grant or project funding criteria and expenditure priorities.

Governor's Budget. The Governor's April finance letter requests \$38.4 for the River Parkways program (\$30.5 million Proposition 50, \$7.9 million Proposition 40) and \$9.2 million (Proposition 50) for the Sierra Nevada Cascade Program. It also proposes \$633,000 (Proposition 50) to support 4 new positions and 1.5 redirected positions to administer the Proposition 50 funded programs. The Governor's budget includes \$540,000 (Proposition 40) and 4 positions to support Proposition 40 River Parkways appropriations made in 2002-03.

The Proposition 40 funding for River Parkways is proposed for opportunity grants by the Secretary. This is consistent with the \$56 million appropriated for this purpose in the 2002-03 budget. The administration is proposing to award grants for both Proposition 50 River Parkways and Sierra Nevada Cascade programs through opportunity grants and competitive awards. The administration proposed budget bill language that specifies that up to 50 percent of the funds appropriated annually would be available for opportunity grants, with the remaining funds awarded through a competitive grant process.

Competitive Grants Versus Opportunity Grants. Competitive grant processes are considered equitable for allocating funds since they require all projects to compete for funding based on common criteria. In contrast, opportunity grants provide more flexibility for the Secretary in selecting and funding projects. Projects selected under opportunity grants should still comply with specific project criteria, but they are not evaluated against all other eligible projects for funding. All of the Proposition 40 River Parkways funds and up to 50 percent of the Proposition 50 grants for both River Parkways and Sierra Nevada Cascade programs are proposed for opportunity grants.

Program Criteria Has Not Been Established in Statute. Program criteria for the River Parkways and Sierra Nevada Cascade programs have not been established in statute. Legislation to provide the Secretary with guidance on implementing these programs was vetoed by the prior administration in the current year. If the Secretary is to award opportunity grants it is critical that

project criteria reflecting Legislative priorities be enacted to ensure the Secretary follows legislative direction in acquiring properties under these programs.

Staff Recommendation. Staff recommends that the Subcommittee *delete the funding for the River Parkways and Sierra Nevada Cascade programs from the budget and direct staff to develop a trailer bill with the funding and program criteria* that better defines the projects to be acquired under these programs.

3. Bond Funds for Private Water Agencies

Background. The Department of Health Services (DHS) has issued draft guidelines for Proposition 50 bond funds that would allow private water agencies to compete for bond funds. The Legislative Counsel and legal counsel for DHS have issued legal opinions that confirm that private water agencies are eligible for bond funds. Senate Bill 909 (Machado) is currently pending and would specifically allow grants of state bond funds to be made to investor owned water utilities and mutual water companies. The California Public Utilities Commission regulates investor owned water utilities and mutual water companies. Traditionally, these utilities have been relatively small utilities that serve small jurisdictions. However, in recent years, larger investor owned utilities have purchased many of these small utilities.

To date the other state agencies administering water-related grant programs have not published guidelines that explicitly allow private water agencies to compete for bond funds. Staff has been advised that the administration is currently considering this policy issue internally.

Questions the Subcommittee may wish to ask the administration.

- What is the timeline for determining whether to allow private water companies to compete for bond funds?
- Will the current schedule for distributing bond funds be impacted by this decision?

Staff Recommendation. The Subcommittee may wish to request the LAO to provide written information on the pros and cons of allowing private water companies to compete for public bond funds.

4. Prevailing Wage—Informational Issue

Background. The administration became aware of legal issues regarding prevailing wage law in the fall of 2003 that could significantly impact numerous state grant programs. Interpretations of the Labor Code by the Department of Industrial Relations and a recent court decision relating to public works projects indicate that all site work on restoration and watershed projects may be subject to prevailing wage requirements. The prevailing wage could even extend to activities that are often undertaken by volunteers on collaborative grant projects.

The administration is currently working on resolving this issue given the potential impact on program across the state. This issue would have a significant impact on many of the bond-funded programs under the Resources Agency. For example, the Urban Streams Restoration Program

that provides grants to local watershed groups for stream restoration projects was delayed in the current year due to this issue.

The Subcommittee may wish to ask the Department the following questions.

- What is the status of resolving this issue?
- What is the timeline for resolving this issue and how will that impact bond-funded grant programs in the budget year?

State Conservancies

Background. In order to promote the conservation of its land resources, the state has created eight regional conservancies that acquire and protect undeveloped lands in specific regions of the state. The conservancies are departments, located within the Resources Agency, which are charged with among other things, acquiring land in specified geographical areas in order to advance specified goals. While the particular statutory goals of each conservancy differ, in general the conservancies were created to protect certain vital land resources that were endangered by development or other threats.

Issues related to these regional conservancies are discussed below. Please see **Appendix B** for detailed information on the Governor's budget proposal and budget amendments requested in the April finance letters for each conservancy.

1. Conservancy Support Funding

Background. At the March 18, 2004 meeting of this subcommittee concerns were raised regarding the administration's inconsistent approach to reducing the support budgets for the various conservancies. For example, three of the conservancies received reductions in state operations funding, three received augmentations, and one remained at the same funding level as in the current year. The support budget adjustments at the conservancies for 2004-05 range from a 10 percent reduction (Santa Monica Mountains Conservancy) to a 6 percent augmentation (California Tahoe Conservancy). The Environmental License Plate Fund (ELPF) is the primary sources of funding for support costs at the conservancies.

Support Funding Differences Result of Technical Pro Rata Adjustments. The administration has provided the subcommittee with information that indicates that the inconsistencies in funding for the support budgets for the various conservancies can be explained by technical adjustments in the calculation of pro rata for each conservancy funded by the ELPF. (Pro rata is the General Fund recovery of statewide general administrative costs such as the Department of Finance and the Legislature from special funds.) Pro rata calculations are based on a two-year cycle of estimated cost comparisons to actual costs. Therefore, annual appropriations can fluctuate based on past overpayment or underpayment of pro rata by specific departments. Specifically, Santa Monica Mountains Conservancy overpaid pro rata in the current year, which lead to a reduction in the pro rata charged the department in the budget year. Conversely, the California Tahoe Conservancy underpaid pro rata in the current year and is assessed a larger share of the pro rata costs in the budget year.

Pro Rata Adjustments Do Not Impact Staffing Levels. Since pro rata is assessed centrally on a fund and not by department, no positions were eliminated due to pro rata adjustments. Therefore, the technical pro rata adjustments will have negligible impacts on the conservancies support operations.

Staff Recommendation. Staff recommends that the subcommittee approve the support budget for each of the regional conservancies.

2. April Finance Letters—Bond Funding

Summary. The administration submitted its resources bond proposal in its April finance letters. The majority of the state's regional conservancies received allocations of bond funds to expend in the budget year. Below is a summary of the resources bond funds proposed to fund each state conservancy in the April finance letters:

State Conservancies

April Finance Letters - Bond Funding, 2004-05

(Dollars in Thousands)

Description	Prop 12	Prop 40	Prop 50	Total
California Tahoe Conservancy	\$0	\$8,235	\$9,000	\$17,235
State Coastal Conservancy	10,000	26,470	32,270	68,740
Santa Monica Mountains Conservancy	0	0	0	0
San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	0	6,200	4,500	10,700
San Joaquin River Conservancy	0	11,000	0	11,000
Baldwin Hills Conservancy	0	7,200	0	7,200
San Diego River Conservancy	0	0	0	0
Coachella Valley Mountains Conservancy	686	2,871	0	3,557
Total	\$10,686	\$61,976	\$45,770	\$118,432

Some Bond Funds Not Allocated. Bond funds were not proposed for the Santa Monica Mountains Conservancy (SMMC) in the budget amendments requested by the April finance letters. The Department of Finance (DOF) has informed staff that they made a decision to not allocate funds to SMMC pending resolution of unresolved issues relating to how past bond fund allocations were managed. The SMMC still has \$12.6 million Proposition 40 and \$29 million Proposition 50 that have not been appropriated by the Legislature for expenditure by the conservancy.

Questions the Subcommittee may wish to ask the administration.

- Why has funding not been provided to SMMC to fund its programs in the budget year?

Staff Recommendation. Staff recommends that the subcommittee withhold action on the conservancies April finance letters pending resolution of issues relating to SMMC.

3340 California Conservation Corps

1. April Finance Letter—Bond Funds Only

Summary. The following is a summary of the bond fund related budget amendments requested by the administration in the 2004-05 April finance letter for the California Conservation Corps (Corps).

California Conservation Corps

April Finance Letter - Bond Funds Only, 2004-05

(Dollars in Thousands)

Description	Proposition		Total	Positions
	12	40		
Resource Conservation Projects--	\$633	\$1,224	1,857	0.0
Support. Proposes to fund various resource conservation projects, including fuel hazard reduction, park maintenance, timber stand improvement, and wildlife habitat restoration.				
Resource Conservation Projects--	2,550	4,003	6,553	0.0
Local Assistance. Proposes to provide grants to local conservation corps for various resource conservation projects, including fuel hazard reduction, park maintenance, timber stand improvement, and wildlife habitat restoration.				
Total	\$3,183	\$5,227	\$8,410	0.0

LAO Options. The Analyst has identified options for increasing the Corps activities in the budget year, thereby potentially offsetting the corpsmember reductions in the budget year. This proposal involves resources bond funds proposed for expenditure in the California Department of Forestry and Fire Protection's (CDF's) bond proposal for fuel reduction activities in the Sierra Nevada. Further information on the specific details of the Analyst's options is detailed in CDF's bond proposal.

Staff Recommendation. Staff recommends that the Subcommittee *withhold action on the Corps bond proposal* pending exploration of potential opportunities to increase activity for the Corps in the area of fuel reduction.

3460 Colorado River Board

Background. The Colorado River Board (CRB) of California was established in 1937 by State statute to protect California's rights and interests in the resources provided by the Colorado River and to represent California in discussions and negotiations regarding the Colorado River and its management.

Governor's Budget. The Governor's budget proposes \$1.2 million to support the CRB in 2004-05. This is approximately the same level of funding as in the current year.

Colorado River Board

Governor's Budget Spending Totals

(Dollars in Thousands)

	Actual 2002-03	Estimated 2003-04	Proposed for 2004-05 Amount	Percent Change
Type of Expenditure:				
State Operations	\$1,073	\$1,184	\$1,170	-1%
Total	\$1,073	\$1,184	\$1,170	-1%
Funding Source:				
General Fund	\$166	\$0	\$0	-
Environmental License Plate Fund	14	14	0	-100%
<i>Budget Act Total</i>	<i>180</i>	<i>14</i>	<i>0</i>	<i>-100%</i>
Reimbursements	892	1,170	1,170	0%
Total	\$1,072	\$1,184	\$1,170	-1%

Budget Change Proposals. The following is a summary of the 2004-05 budget change proposals for CRB.

Colorado River Board

Budget Change Proposals, 2004-05

(Dollars in Thousands)

Description	Reim- bursements	Total	Positions
Funding Shift. Proposes increasing funding from reimbursements to support the board's activities. General Fund support for this board was eliminated in the current year.	\$258	\$258	0.0
Total	\$258	\$258	0.0

Staff Recommendation. No issues have been raised with CRB's budget. *Staff recommends approve as budgeted.*

3480 Department of Conservation

1. April Finance Letter—Bond Funds Only

Summary. The following is a summary of the bond fund related budget amendments requested by the administration in the 2004-05 April finance letter for the Department of Conservation (DOC).

Department of Conservation

April Finance Letter - Bond Funds Only, 2004-05

(Dollars in Thousands)

Description	Proposition		Total	Positions
	40	50		
CALFED Watershed Program. Proposes to fund the Watershed Coordinator Grant Program that provides grants to Resource Conservation Districts for watershed restoration/protection projects. Proposes \$225,000 and 2 positions on a 3-year limited-term basis to administer the program.	-	\$3,225	\$3,225	2.0
California Farmland Conservancy Program. Proposes grant funding for the planning and voluntary acquisition of agricultural easements by local governments, non-profit land trusts, and resource conservation districts.	12,000	-	12,000	0.0
Total	\$12,000	\$3,225	\$15,225	2.0

Staff Recommendation. No issues have been raised with the administration's April finance letter for DOC. *Staff recommends approving the finance letter.*

3540 Department of Forestry and Fire Protection

1. April Finance Letter—Bond Funds Only—Informational Display

Summary. The following is a summary of the bond fund related budget amendments requested by the administration in the 2004-05 April finance letter for the Department of Forestry and Fire Protection (CDF).

Department of Forestry and Fire Protection**April Finance Letter - Bond Funds Only, 2004-05***(Dollars in Thousands)*

Description	Prop 12	Prop 40	Prop 50	Total	Positions
<i>Urban Forestry.</i> Proposes funding for the urban forestry grant program to increase tree planting and follow-up care in urban areas and encourage improved tree management practices.	\$1,175	-	-	\$1,175	0.0
<i>Sierra Nevada Forest Land and Fuels Management.</i> Proposes to fund contracts for forest land and fuels management projects in the Sierra Nevada to protect watershed assets at risk to catastrophic wildfire.	-	7,481	-	7,481	8.0
<i>CALFED Watershed Program.</i> Proposes funding to support the CALFED Watershed Program, which includes providing data on vegetation types and monitoring their change over time to improve the design of fuel reduction projects that protect CALFED watersheds.	-	-	240	240	0.0
Total	\$1,175	\$7,481	\$240	\$8,896	8.0

2. Proposed Fuel Reduction Activities Pose Funding Opportunity for California Conservation Corps

Background. At the April 1 meeting of this Subcommittee the Subcommittee directed staff, the LAO, and the administration to develop trailer bill language to fund a portion of the Corps budget with Workforce Investment Act funds to mitigate some of the General Fund reductions proposed to the California Conservation Corps' (Corps') budget.

April Finance Letter. The CDF is requesting \$39 million (Proposition 40) over five years for fuel reduction activities aimed at reducing the risk of wildland fires in the Sierra Nevada region. The CDF proposes that the majority of the funding (about 86 percent) will be used for contracts under the California Forest Improvement Program (CFIP) and the Prefire Management Program (PMP) for mechanical treatments for fuel reduction. In addition, five percent of the program costs will be for prescribed burning.

Benefits of Utilizing Corps for Fuel Reduction Efforts. The Analyst has identified opportunities to use the Corps in the fuel reduction efforts proposed by CDF. The Analyst finds that under existing law, state agencies considering the use of contracted labor for projects such as fuel reduction should give priority to the Corps if Corps crews are available. The Analyst finds that increasing the use of the Corps in fuel reduction efforts might offer the following benefits:

- Provides *increased activity for the corpsmembers* to help mitigate proposed budget impacts that reduce the number of corpsmembers served;
- *Increases the overall level of investment in fuel reduction;*
- *Provides training opportunities for corpsmembers* in fire suppression; and
- *Provides additional crews that are fire trained* to assist in wildland fire suppression.

CDF's Concerns with Using Corps. The Analyst cites that the department resists having to use the Corps for fuel reduction activities since they tend to be more expensive than other sources of labor such as prison crews. In addition, the majority of funding is proposed for allocation to fire safe councils and other local jurisdictions. Therefore, CDF would not be responsible for picking the contractor that actually delivers the service. Furthermore, because of budget reductions over the past several years the Corps no longer has corpsmembers with adequate training for prescribed fuel reduction.

LAO Options. The LAO has proposed three options to increase the use of the Corps in fuel reduction efforts, including addressing CDF's concerns about the high costs of the Corps, and inadequate training for prescribed burning. The LAO's options are summarized below:

- **Increase Corps Activities—Utilizing Grant Funds.** Adopt budget bill language to require criteria for grant programs that give priority to projects that utilize the Corps. Alternatively, adopt language that would require a certain percentage of funds allocated to grant programs be dedicated to projects utilizing the Corps. Furthermore, adopt language to allow the Corps to apply directly to the department for CDF fuel reduction grants.
- **Reduce Cost of Corps—Utilizing Corps Bond Funding.** The April finance letter for the Corps proposes expenditure of \$1.6 million bond funds to support Corps activities. Budget bill language could be adopted to dedicate these funds to fuel reduction top match funds provided by CDF and offset the additional costs of utilizing the Corps to project sponsors.

- ***Increasing Corps Activities--Prescribed Burning.*** Adopt budget bill language to require a certain percentage of funding for proposed prescribed burning activities be dedicated for the Corps.
- ***Training for Fuel Reduction and Prescribed Burning.*** Allocate a portion of the Workforce Investment Act (WIA) funds to implement a Corps training program for fire and fuel reduction activities. This option would increase the number of trained fire crews and provide post training job opportunities for corpsmembers, which is an important condition of utilizing WIA funds.

Staff Recommendation. Staff recommends the Subcommittee *direct staff, the LAO, and the administration to develop trailer bill language that requires CDF to utilize the Corps for 50 percent of the funds proposed for fuel reduction activities. The trailer bill should also restrict funding for a program timberlands EIR.* The proposal should also seek to utilize WIA funds to provide the Corps training in fuel reduction activities.

3600 Department of Fish and Game

1. April Finance Letter—Bond Funds Only

Summary. The following is a summary of the bond fund related budget amendments requested by the administration in the 2004-05 April finance letter for the Department of Fish and Game (DFG).

Department of Fish and Game

April Finance Letter - Bond Funds Only, 2004-05

(Dollars in Thousands)

Description	General Fund	Special Funds	Prop 40	Prop 50	Total	Positions
Fisheries Restoration Grants Program. Proposes funds for grants to tribes, non-profit organizations, public agencies, and private entities for fisheries restoration projects. Funds may be used to match federal funding.	-	-	\$7,000	-	7,000	0.0
CALFED Ecosystem Restoration Program. Proposes funding for grants to fund ecosystem restoration projects to implement elements of CALFED's ecosystem restoration program workplan. Approximately \$2.8 million is for administration of grant program and other state support of the program. Also proposes to shift some funding from the General Fund and reimbursements to bond funds.	-72	-306	-	72,303	71,925	8.0
Total	-\$72	-\$306	\$7,000	\$72,303	\$78,925	8.0

Fisheries Restoration Grant Funds Maximize Federal Funds. The Analyst recommended in its Analysis that additional bond funds be appropriated to maximize receipt of available federal funds for the Fisheries Restoration Grant Program. The administration's April finance letter provides sufficient funds to fully maximize federal funds available for this program.

Staff Recommendation. No issues have been raised with the administration's April finance letter for DFG. *Staff recommends approving the finance letter.*

3640 Wildlife Conservation Board

Background. The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB is an independent board in the Department of Fish and Game and is composed of the Director of the Department of Fish and Game, the Director of the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve an advisory capacity to the board.

Governor's Budget. The budget proposes total expenditures of about \$33.2 million in 2004-05, a reduction of about \$1.2 billion, or 97 percent, below estimated expenditures in the current year. This reduction is mainly a result of the administration's decision to defer its submittal of most of its resources bond proposal to later in the spring. Below is a summary of expenditures by type of expenditure and funding source.

The administration's April finance letter proposes to increase the budget for WCB by \$13.3 million, thereby increasing the total budget for 2004-05 to \$40.6 million.

Wildlife Conservation Board Governor's Budget Spending Totals (Dollars in Thousands)

Dollars in Thousands

	Actual 2002-03	Estimated 2003-04	Proposed for 2004-05	
			Amount	Percent Change
Type of Expenditure:				
State Operations	\$2,242	\$6,552	\$5,888	-10%
Capital Outlay	276,855	1,165,384	21,377	-98%
Total	\$279,097	\$1,171,936	\$27,265	-98%
Funding Source:				
General Fund	\$21,620	\$8,192	\$193	-98%
Special Funds	-2,184	13,932	1,939	-86%
Bond Funds	259,163	1,130,355	25,133	-98%
Budget Act Total	278,599	1,152,479	27,265	-98%
Reimbursements	497	14,457	0	-100%
Oak Woodlands Conservation Fund	0	5,000	0	-100%
Total	\$279,096	\$1,171,936	\$27,265	-98%

Budget Change Proposals. The following is a summary of the 2004-05 budget change proposals for WCB.

Wildlife Conservation Board**Capital Outlay Budget Change Proposals, 2004-05***(Dollars in Thousands)*

Description	Wildlife Restoration Fund	Habitat Conservation Fund	Total
Public Access. Proposes funding for public access acquisition and development. No other funds are provided to WCB for this purpose.	\$500	-	\$500
Habitat Conservation Fund Acquisitions. Proposes funding for acquisition, restoration, and enhancement of habitat necessary to protect wildlife and plant populations.	-	21,000	21,000
Total	\$500	\$21,000	\$21,500

1. Forthcoming Land Acquisitions—Informational Issue

Hearst Ranch. The board is currently in negotiations to acquire a conservation easement on a large portion of the Hearst Ranch, which is comprised of approximately 80,000 acres in San Luis Obispo County including 18 miles along the coast. The WCB, Coastal Conservancy and the Department of Parks and Recreation are currently in discussions with the Hearst Corporation on what would be allowed in the easement has not been reached. The state has not entered into a contract to acquire a conservation easement on the property.

Questions the Subcommittee may wish to ask the department.

- What are the plans for public access on the property?
- Staff understands that the current proposal by Hearst Corporation would retain significant coastal property. How would public access be treated on these sections of the coast?
- Who will hold the easement if it is acquired by the state?

Bolsa-Chica. The board is currently in negotiations to acquire approximately 200 acres of mesa adjacent to the Bolsa-Chica wetlands along the coast in Huntington Beach, Orange County. Proposition 50 allocated a portion of the funds allocated to WCB in the bond for land acquisitions to acquire 100 acres in Bolsa-Chica. The state has not yet entered into a contract to acquire the property. Nevertheless, the subcommittee may wish to ask the following questions regarding this potential acquisition.

Questions the Subcommittee may wish to ask the department.

- What is the status of acquiring the Bolsa-Chica property?

2. Suspend Natural Heritage Preservation Tax Credit Program

Background. The Natural Heritage Preservation Tax Credit Program (Chapter 113, Statutes of 2000 [SB 1647, O'Connell]) provides tax credits to landowners who make qualified land donations to state agencies, local government entities, or qualified nonprofit organizations. In

exchange for a qualified donation, landowners receive a tax credit of 55 percent of the appraised fair market value of the donated property.

Tax credits were awarded under this program in 2000-01 and 2001-02 and the program was suspended during the 2002-03 budget year. During the first two years of program operation, approximately \$33 million in tax credits were awarded. In exchange the state, local governments, and nonprofit organizations received donations of over 7,000 acres of land valued at over \$60 million. Approximately \$67 million remains of the \$100 million in tax credits originally proposed for allocation for this program.

Governor's Proposed Mid-Year Adjustment and Budget—Suspend Tax Credit. The Governor has proposed suspension of the tax credit in the current and budget years, with estimated savings of \$8.7 million and \$10.3 million, respectively. The savings would be in the form of increased General Fund tax revenues due to a reduction in tax credits that would otherwise be claimed if the suspension was not in place. The administration is seeking approval of trailer bill legislation to implement this suspension (SB 1052, Committee on Budget and Fiscal Review). This bill has been referred to the Senate Revenue and Taxation Committee. The Governor is currently administratively suspending the tax credit program in the current year pending enactment of legislation.

Tax Credit Set To Expire Soon. Under current law, the Natural Heritage Preservation Tax Credit program is set to expire on December 31, 2005. Therefore, if the tax credit is suspended in the current and budget years as proposed by the Governor the program will expire and over \$60 million in tax credits will be unallocated.

Substantial Bond Funds Available for Land Acquisitions. The approval of two resources bonds in recent years has provided significant funds for land acquisition activities and a large portion of these funds have not been expended. While the expenditure of general obligation bond funds does incur General Fund costs, these costs are spread out over a long period of time (typically 30 years). On the other hand, the tax credit program does allow the state to acquire land at a substantial discount. However, the reduction in General Fund tax revenues occurs over a significantly shorter time horizon and is not under the control of the state (current law allows the tax credits to be claimed over a period of seven years).

Staff Recommendation. Given the size of the state's projected General Fund deficit in the budget year and the size of the projected structural deficit, ***staff recommends enacting trailer bill language to suspend the tax credit program in the budget year.*** Suspending the tax credit program would result in the expiration of the program leaving approximately \$60 million in tax credits unallocated. Given the need to minimize the structural deficit we think the tax credit should expire given the significant bond funds available for land acquisitions. The expiration of this program does not preclude the Legislature's ability to reinstate a similar program when General Fund tax revenues are available for this purpose.

3. April Finance Letter—Bond Proposal

Summary. The following is a summary of the budget amendments requested by the administration in the 2004-05 April finance letter for WCB.

Wildlife Conservation Board**April Finance Letter, 2004-05***(Dollars in Thousands)*

Description	Proposition		
	50	Total	Positions
Colorado River Regulatory Program. Proposes funding for the acquisition, protection, and restoration of land and water resources along the Lower Colorado River.	\$13,250	\$13,250	0.0
Total	\$13,250	\$13,250	0.0

Staff Recommendation. No issues have been raised with the administration's April finance letter. *Staff recommends approving the finance letter.*

3790 Department of Parks and Recreation

1. April Finance Letter—Bond Funds Only

Summary. The following is a summary of the bond fund related budget amendments requested by the administration in the 2004-05 April finance letter for DPR.

Department of Parks and Recreation

April Finance Letter - Bond Funds Only, 2004-05

(Dollars in Thousands)

Description	Reim- bursements	Prop 40	Prop 50	Total	Positions
San Simeon Earthquake Disaster Relief. Proposes funding to repair damage to state park facilities from the San Simeon earthquake. This event was declared a federal disaster and projects are eligible for 75 percent from the Federal Emergency Management Agency (FEMA).	\$2,250	\$750	-	\$3,000	0.0
Southern California Fires Disaster Relief. Proposes funding to repair the Cuyamaca Rancho State Park and the Silverwood Lake State Recreation Area, both parks damaged by the Southern California fires. The Southern California fires were declared a federal disaster and projects are eligible for 75 percent from FEMA.	18,123	6,041		24,164	0.0
Bond Administration. Proposes to establish 2 positions to support Proposition 40 auditing and 2 positions to support Proposition 50 statewide accounting. Funding for these positions was included in the January budget.	-	0	0	0	4.0
Proposition 50 Website Development. Proposes to shift funds from the Resources Agency for the development of a website that would allow the public to identify the geographic location of Proposition 50 funded projects.	-	-	68	68	0.5
Natural Stewardship Projects. Proposes increase in funding for natural stewardship projects to restore and protect natural landscapes on state park properties.	-	1,500	-	1,500	0.0
Local Assistance Programs. Proposes grants for parks, including \$31.7 million for Roberti-Z'berg Harris grants, \$23.3 million for California Youth Soccer and Recreation Development Program, and \$23.3 million for State Urban Parks and Healthy Communities Act.	-	78,413	-	78,413	0.0
Reappropriation of Local Assistance Grants. Proposes to extend the liquidation period to June 30, 2010 for funds appropriated in the 2002 Budget Act for Urban Park Grants and Murray-Hayden Competitive Grants. This is consistent with the bond act language.	-	0	-	0	0.0
Total	\$20,373	\$86,704	\$68	\$107,145	4.5

The following is a summary of the capital outlay budget amendments funded by Proposition 12 bond funds requested by the administration in the 2004-05 capital outlay April finance letter for DPR.

Department of Parks and Recreation**April Finance Letter - Capital Outlay - Prop 12 Only, 2004-05***(Dollars in Thousands)*

Description	Reim- bursements	Prop 12	Total
Angel Island. Proposes funds for construction to stabilize, preserve, and restore several key buildings of the Angel Island Immigration Station.	-	\$12,484	\$12,484
Chino Hills. Proposes funding wildlife corridor restoration project in Coal Canyon (\$1.1 million). Proposes funding for working drawings for an entrance road to the park (\$192,000). Proposes funding construction and purchasing equipment for a new visitors center (\$1.7 million).	-	1,667	1,667
Crystal Cove. Proposes funding construction and purchasing equipment for the conversion of the El Morro trailer park to a public day-use facility and recreational vehicle/tent campground.	287	4,249	4,536
Malibu Creek. Proposes funding for working drawings and construction for restoration of the historic Sepulveda Adobe (\$1.2 million). Proposes funding for preliminary plans to rehabilitate existing day-use facilities at the Tapia area (\$404,000).	-	1,233	1,233
Statewide Budget Development. Proposes funding for development of future projects and budget cost estimates.	-	150	150
Volunteer Enhancement Program. Proposes funding to improve various volunteer facilities, camp host sties, and visitor centers.	-	345	345
Total	\$287	\$20,128	\$20,415

On the following page is a summary of the capital outlay budget amendments funded by Proposition 40 bond funds requested by the administration in the 2004-05 capital outlay April finance letter for DPR.

Staff Recommendation. No issues have been raised with the administration's April finance letter. *Staff recommends approving both the finance letter and the capital outlay finance letter.*

Department of Parks and Recreation**April Finance Letter - Capital Outlay - Prop 40 Only, 2004-05***(Dollars in Thousands)*

Description	Reim- bursements	Prop 40	Total
Calaveras Big Trees. Proposes funds for working drawings (\$245,000), construction (\$3.3 million), and equipment (\$99,000) to construct a new visitor center.	500	3,153	3,653
Chino Hills. Proposes funding wildlife corridor restoration project in Coal Canyon (\$1.1 million). Proposes funding for working drawings for an entrance road to the park (\$192,000). Proposes funding construction and purchasing equipment for a new visitors center (\$1.7 million).	-	1,246	1,246
Doheny. Proposes funding construction and purchasing equipment for new lifeguard headquarters and lifeguard tower.	-	1,121	1,121
Donner Memorial. Proposes funding for working drawings, construction, and purchasing equipment for a new visitor center and museum. A large portion of this project is funded by a federal transportation grant.	3,041	2,886	5,927
Huntington. Proposes funding for working drawings, construction, and purchasing equipment for a remodel of the existing Huntington State Beach Training Facility and Park Lifeguard Headquarters.	-	3,736	3,736
Lake Perris. Proposes funding for construction and purchasing equipment of a new multi-purpose lifeguard facility.	-	824	824
MacKerricher. Proposes funding for construction for rehabilitation of the Pudding Creek Trestle to provide pedestrian and bicycle access to the coastal trail.	-	1,939	1,939
Malibu Creek. Proposes funding for working drawings and construction for restoration of the historic Sepulveda Adobe (\$1.2 million). Proposes funding for preliminary plans to rehabilitate existing day-use facilities at the Tapia area (\$404,000).	-	404	404
Plumas-Eureka. Proposes funding for a study and partial construction costs to provide long-term stabilization and preservation of the historic stamp mill at the Plumas-Eureka State Park.	-	901	901
Railroad Technology Museum. Proposes funding for working drawings and construction to rehabilitate two historical structures in the Union Pacific Rail Yard Building Complex in downtown Sacramento. Also funds a comprehensive facilities plan to guide the development of five Union Pacific buildings to house the Railroad Technology Museum.	5,000	6,626	11,626
Shasta. Proposes funding preliminary plans for the stabilization of twelve gold rush period historic structures at Shasta State Historic Park.	-	521	521
Topanga. Proposes funding for preliminary plans and working drawings for improvements to three public use facilities, including Trippet Ranch, Hub Junction, and Los Liones Canyon.	-	574	574
Minor Projects. Proposes funding for various minor capital outlay projects.		2,647	2,647
Total	\$8,541	\$26,578	\$35,119

3840 Delta Protection Commission

Background. The Delta Protection Commission (DPC) was created by statute in 1992 to develop a long-term resources management plan for land uses within the Sacramento-San Joaquin Delta. This plan is implemented by local governments in their land use planning processes. Broadly speaking, the main goal of the commission is to protect and enhance the overall quality of the Delta environment for agriculture, wildlife habitat, and recreational activities.

Governor's Budget. The Governor's budget proposes \$301,000 to support DPC in 2004-05. This is the same level of funding as estimated for expenditures in the current year.

Delta Protection Commission

Governor's Budget Spending Totals

(Dollars in Thousands)

Dollars in thousands)

			Proposed for 2004-05	
	Actual 2002-03	Estimated 2003-04	Amount	Percent Change
Type of Expenditure:				
State Operations	\$282	\$301	\$301	0%
Total	\$282	\$301	\$301	0%
Funding Source:				
General Fund	\$0	\$0	\$0	-
Environmental License Plate Fund	143	138	138	0%
Budget Act Total	143	138	138	0%
Harbors and Watercraft Revolving Fund	128	163	163	0%
Reimbursements	11	0	0	-
less funding provided by other sources				
Total	\$282	\$301	\$301	0%

Budget Change Proposals. No 2004-05 budget change proposal were submitted for DPC.

1. Funding the Commission

Background. Supplemental report language was adopted last year to require the Resources Agency to report to the Legislature on the future value of DPC. Furthermore, this language required the Analyst to review and make findings based on this report in its 2004-05 Analysis. The DPC oversees the local implementation of a regional land use plan for a large part of the Sacramento-San Joaquin Delta.

Governor's Budget. The Governor's budget proposes \$301,000 from special funds for support of DPC.

DPC's Current Role. The Analyst finds that the commission has achieved much of its original statutory mandate, which included completing a regional resource management plan that was incorporated into the general plans of all affected local planning agencies as well as state regulations. The DPC has some oversight over the implementation of this plan by local land use jurisdictions, but has not had any appeals to date. The commission's current activities are focused largely on monitoring local compliance with the regional land use plan and monitoring meetings and actions of the CALFED Bay-Delta Program.

LAO Recommendation. The Analyst recommends adopting budget bill language to shift the DPC's funding support from state funds to locally funded reimbursements. The Analyst finds that the current focus of the commission—monitoring local planning and CALFED activities and serving as a local public forum to speak for and balance Delta interests—appears to be more appropriately funded by local interests rather than by state funds.

Implementation Issues. The Analyst finds that DPC does not have clear statutory authority to override local land use decisions if they do not comply with the current resource management plan. While no land use decisions have been appealed to the commission to date, it is not clear that current statute permits DPC to stop projects that do not comply with the resource management plan. Given the DPC's current lack of enforcement authority over the local land use agencies in the Delta it is not clear that the commission could successfully collect fees from its constituent agencies. Therefore, implementing the Analyst's recommendation may be difficult.

Staff Comments. Staff finds that DPC is in general a regional land-use-planning agency and that the state does not typically fund these types of agencies. Nevertheless, the Delta does have statewide importance in the state's water delivery infrastructure and is the primary focus of the CALFED Bay-Delta program. Furthermore, staff finds that it is critical that land-use decisions in the Delta be coordinated with CALFED efforts.

Assembly Bill 2476 (Wolk) is currently pending in the Assembly to among other things provide the commission with clear statutory authority to enforce a regional resource management plan in the Delta region. The bill also proposes to expand the jurisdiction of DPC to include a secondary zone that surrounds the primary Delta area.

Questions the Subcommittee may wish to ask the department.

- How would the commission implement the Analyst's recommendation to fund commission operations through reimbursements from local agencies?
- How is the resource management plan for the Delta coordinated with CALFED objectives?
- What authority does the commission have to veto local land use decisions that do not comply with the resource management plan?

Staff Recommendation. Staff recommends that the subcommittee approve DPC's budget as proposed. However, the subcommittee may wish to revisit this issue next year pending the enactment of AB 2476 (Wolk).

3860 Department of Water Resources

Background. The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay/Sacramento-San Joaquin Delta Estuary.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage the receipt and delivery of the energy procured by the contracts. (The CERS division of DWR will be discussed at the subcommittee hearing scheduled for May 13.)

Governor's Budget. The budget proposes total expenditures of about \$6.3 billion in 2004-05, a reduction of about \$1.9 billion, or 23 percent, below estimated expenditures in the current year. This reduction is partly a result of the administration's decision to defer its submittal of most of its resources bond proposals to later in the spring. It also reflects a decrease of \$1.4 billion for the energy contracts entered into on behalf of the IOUs during the energy crisis. This reflects a reduction in the amount of electricity purchased under contract for the budget year, as well as lower prices on the electricity currently under contract.

The administration's April finance letter proposes to increase the budget for DWR by approximately \$273 million, thereby increasing the total budget for 2004-05 to \$6.5 billion.

Department of Water Resources**Governor's Budget Spending Totals***(Dollars in Thousands)*

	Proposed for 2004-05			
	Actual 2002-03	Estimated 2003-04	Amount	Percent Change
Type of Expenditure:				
Planning	\$173,852	\$448,664	\$74,655	-83%
Bay-Delta Office	42,183	0	0	
State Water Project Infrastructure	466,743	241,344	247,134	2%
Public Safety	176,175	79,327	35,114	-56%
Services	5,086	6,440	5,428	-16%
California Energy Resources Scheduling	5,176,059	6,814,301	5,414,760	-21%
Capital Outlay	292,086	571,334	514,773	-10%
Administration	0	63,700	63,700	0%
<i>less distributed administration</i>	0	-63,700	-63,700	-
<i>less loan repayments</i>	-4,801	-4,013	-4,013	-
Total	\$6,327,383	\$8,157,397	\$6,287,851	-23%
Funding Source:				
General Fund	\$195,690	\$54,747	\$45,851	-16%
Special Funds	26,513	48,287	9,287	-81%
Bond Funds	131,836	430,766	26,110	-94%
<i>Budget Act Total</i>	354,039	533,800	81,248	-85%
Federal Funds	3,632	11,307	11,307	0%
State Water Project Funds	741,491	761,033	765,092	1%
DWR Electric Power Fund	5,176,059	6,814,301	5,414,760	-21%
Bosco-Keene Renewable Resources Investment Fund	574	20	0	-100%
Reimbursements	53,116	38,470	16,974	-56%
<i>less loan repayments</i>	-1,527	-1,530	-1,530	-
Total	\$6,327,384	\$8,157,401	\$6,287,851	-23%

Budget Change Proposals. The following is a summary of the 2004-05 budget change proposals for DWR.

Department of Water Resources**Budget Change Proposals, 2004-05***(Dollars in Thousands)*

Description	General Fund	Total	Personnel Years
<i>Colorado River Management Account.</i> Proposes funding to line the All-American Canal and groundwater storage projects to reduce the state's Colorado River water use. Funding for this program is continuously appropriated pursuant to Chapter 813, Statutes of 1998 (SB 1765, Peace).	\$16,100	\$16,100	0.0
<i>Flood Control Project Sediment Removal.</i> Proposes a one-time redirection of \$2.6 million General Fund and 4.7 positions from capital outlay projects to perform maintenance on the Fremont weir. Sediment has built-up in the Sacramento River Flood Control Project and adversely affected flow capacity, especially the portion of the Yolo Bypass adjacent to the Fremont weir.	0	0	0.0
<i>General Fund Reduction.</i> Proposes to eliminate General Fund support for Watermaster services. Also proposes to reduce funding for California/Mexico border issues, drought panel recommendations, statewide planning, and other environmental review activities.	-1,556	-1,556	0.0
Total	\$14,544	\$14,544	0.0

Capital Outlay Budget Change Proposals. The following is a summary of the 2004-05 capital outlay budget change proposals for DWR.

Department of Water Resources**Capital Outlay Budget Change Proposals, 2004-05***(Dollars in Thousands)*

Description	General Fund	Special Funds	Total	Personnel Years
<i>American River Long-Term Flood Protection Project.</i> Proposes to redirect \$270,000 General Fund and 1.8 existing positions from the Folsom Dam Modifications Project to the American River Long-Term Flood Protection Project. The American River Long-Term Flood Protection Project is a recently federally authorized project to raise Folsom Dam by 7 feet and construct a new bridge downstream from the dam. This project has not been authorized by the state.	\$0	-	\$0	0.0
Total	\$0	\$0	\$0	0.0

1. April Finance Letter—Excluding Bond Funds—Informational Display

Summary. The following is a summary of the budget amendments, excluding bond fund related proposals, requested by the administration in the 2004-05 April finance for DWR.

Department of Water Resources

April Finance Letter - Excluding Bond Funds, 2004-05

(Dollars in Thousands)

Description	General Fund	Special Funds	Reimbursements	Total
Capital Outlay Reappropriations. Proposes to reappropriate \$17.1 million General Fund and \$8 million in reimbursements for various capital outlay projects, including the Folsom Dam Modifications (\$15.4 million GF, \$7.4 million Reimb.), Sacramento Riverbank Protection Project (\$900,000 GF), Tehama Section 205 Flood Control (\$750,000 GF, \$682,000 Reimb.), Lower Sacramento Area Levee Reconstruction (\$50,000 GF), and Merced County Streams (\$30,000 GF).	\$0	-	\$0	\$0
State Maintenance Areas. Proposes to increase reimbursements and redirect 2 positions to fund flood control maintenance responsibilities in San Luis Obispo County, since San Luis Obispo recently transferred their flood control maintenance responsibilities to the state. Proposes trailer bill language to amend current law to give DWR discretion over whether to form a maintenance area outside the Central Valley and to authorize the department to fully recover all costs related to establishing a new state maintenance area.	-	-	321	321
Watermaster Services. Proposes to increase reimbursements to fully fund the Watermaster Program from user fees at a level of \$2.5 million. The January 10 budget proposed elimination of all General Fund support for this program. Historically, costs for this program have been shared by the General Fund and water users, but this proposal includes trailer bill language that would require full reimbursement from water users for this program.	-	-	1,562	1,562
Dam Safety Program. Proposes to increase fee authority to backfill recent General Fund reductions to the dam safety program.	-	431		431
Salton Sea Restoration Studies. Proposes to increase reimbursement authority to fund a habitat restoration study and other planning activities related to the restoration and protection of the Salton Sea. Funds are available from a Proposition 50 appropriation to the Wildlife Conservation Board.	-	-	7,200	7,200
Total	\$0	\$431	\$9,083	\$9,514

2. Colorado River Management Account

Background. Chapter 813, Statutes of 1998 (SB 1765, Peace) provides a continuous General Fund appropriation for Colorado River management, mainly to reimburse local beneficiary agencies for the lining of the All-American Canal and other projects that help the state live within its Colorado River water allocation. The legislation allocated \$235 million General Fund for this purpose that is transferred to the Colorado River Management Account when it is needed to reimburse local agencies' construction costs. While not explicitly part of the Quantification Settlement Agreement, the allocation of these funds was part of the general agreement made between several southern California water agencies and the state.

Governor's Budget. The Governor's budget proposes to transfer \$16.1 million from the General Fund to the Colorado River Management Account in the budget year. This is despite a 2003-04 budget trailer bill (Chapter 228, Statutes of 2003 [AB 1756, Budget Committee]) that explicitly directs the administration to exclude funding for the All-American Canal lining in the 2004-05 budget proposal.

Current Year Allocation Is Sufficient. Approximately \$58 million was allocated to this account in the current year. About \$39 million was from the General Fund and the remainder was from Proposition 50 bond funds. These funds are used to reimburse locals for up-front construction costs associated with lining the canals. The department has indicated that the funding allocated in the current year will be sufficient to meet projected needs in 2004-05 due to slippage in construction schedules. The department has indicated that this will have no impact on projected activities in the budget year, but may slow down projected construction schedules.

LAO Option. The Analyst has suggested that the \$16.1 million could be deferred as an option for General Fund savings in the budget year.

Remaining General Fund Obligation. The state currently owes local beneficiary agencies \$172 million General Fund from the original allocation. Current law requires that the funding be allocated no later than 2008-09. Based on current estimates of the General Fund condition in the budget year and future years it is unlikely that there will be sufficient funds to make these required payments without reducing funding for other activities.

Questions the Subcommittee may wish to ask the department.

- How does the administration plan on funding the remainder of the obligations to the Colorado River Management Account prior to 2008-09?

Staff Recommendation. Staff recommends that the Subcommittee *defer the proposed transfer of \$16.1 million General Fund to the Colorado River Management Account* to create General Fund savings in the budget year given the state's current General Fund condition. This action would not change the current obligation of the state to provide \$172 million to the Account by 2008-09.

3. Funding Flood Management

Background. Flood management encompasses both structural flood control projects and floodplain management. The state shares the responsibility of *funding structural flood control projects* with federal and local governments. Typically the federal government contributes 65 percent of the planning and construction costs of federally authorized flood control projects. The state has historically contributed 70 percent of the nonfederal share of costs, with locals contributing the remaining 30 percent. However, Chapter 1071, Statutes of 2000 (AB 1147, Honda) modified the state-local cost-sharing formula. Specifically, the state's funding share was reduced to 50 percent of the nonfederal share of the total costs, but this share can rise to 70 percent if DWR finds that a project provides multiple benefits, including habitat, open space, and/or recreation. The state is generally the sponsor of flood control projects in the Central Valley and participates significantly in the development of the project. The DWR's involvement in locally sponsored projects outside of the Central Valley is generally limited.

The state has a relatively small role in *floodplain management*. Floodplain management encompasses actions that restrict development in the floodplain through mapping and land-use decisions. The state generally has a relatively small role in floodplain management outside of the Central Valley. The State Reclamation Board (an independent board housed within DWR) has the authority to designate floodways in the Central Valley. Allowable development in designated floodways is significantly reduced since all development requires a permit from the board. Outside of the Central Valley, the state's role in floodplain management is more minimal, consisting only of providing technical assistance to communities to improve compliance with the National Flood Insurance Program standards and expanding the mapped areas prone to flooding that are outside of the 100-year floodplain.

Governor's Budget. The Governor's budget proposes \$79 million for flood management programs for 2004-05. This includes \$19.9 million Proposition 50 bond funds for the CALFED Levees Program and \$ 21.7 million Proposition 13 for flood control projects specifically identified in the bond. The budget includes \$1.4 million for floodplain management activities, which includes Proposition 13 funding to provide technical assistance and floodplain mapping. Furthermore, \$3.7 million from Proposition 13 has been proposed for flood control subventions to local agencies for the state's share of federally authorized flood control projects.

LAO Finds State's Flood-Related Losses Are Increasing. The Analyst finds that development in and around floodplains has contributed to increased losses due to floods. In addition, California's current pattern of development is likely to result in more people living in flood-prone areas of the state. Despite this, the state has reduced its floodplain management efforts. The Analyst also finds that the state's role in floodplain management is made more important given deficiencies in the federal National Flood Insurance Program (NFIP) standards, which are the primary standards used by local governments in land-use decisions in and round the state's floodplains. The NFIP program is based on outdated floodplain maps that do not cover the majority of streams likely to be developed in California over the next 20 years. The federal government is currently embarking on a nationwide map modernization effort to rectify this problem.

State Owes Locals For Its Share of Costs. The Analyst finds that a large portion of the state's expenditures on flood management has been to fund the state's share of federally authorized flood control projects. The state currently owes local governments outside the Central Valley approximately \$180 million for its share of costs of federally authorized projects sponsored by the locals. The funding owed locals is projected to grow to \$400 million over the next ten years for projects already authorized. Most of these projects will receive state funding to cover 70 percent of the nonfederal costs of the total project since they were authorized before the law change that reduced the state's share to 50 percent. The General Fund has historically funded these expenditures. However, bond funds have been used in the past and the administration is proposing to provide \$3.7 million Proposition 13 bond funds for this purpose in the budget year. Nevertheless, given the state's current fiscal condition it is unlikely that the state will have General Fund resources available to meet these obligations in the near future. In addition, there are limited bond funds available for this purpose.

LAO Recommendation. The Analyst recommends enactment of *legislation that reduces the state's share of the nonfederal costs for federally authorized flood control projects* from 50 percent to 30 percent. The Analyst estimates that it could save the state between \$115 million and \$230 million in future budget years if the new state-local cost sharing provision was applied to authorized projects where the state's share of costs is currently owing. The Analyst finds that flood control projects provide direct benefits to local communities. For example, in addition to the direct public safety benefits, the projects often allow for new development and/or exemption from NFIP requirements, which provide significant economic benefits to local communities.

The Analyst also finds that *savings created by this recommendation would provide an opportunity for the state to be more strategic in its approach to funding flood management activities*. Specifically, the Analyst finds that the state's flood management activities would be more effective if investments were made for (1) increased oversight and review of local flood control projects outside of the Central Valley and (2) floodplain management. The Analyst notes that a relatively small portion of the estimated saving (about \$10 million) would be needed to improve the state's current approach to flood management activities.

Impacts of Paterno Case. *Paterno v. State of California* arose out of flooding in February 1986 on the Yuba River, in which a section of levee failed, flooding the communities of Linda and Olivehurst. In November of 2003, the Court of Appeals reversed an earlier decision by the trial court and held the state exclusively liable for damages resulting from the levee failure. The court found that shortcomings of the levee as originally built could have been discovered and should have been remedied by the state. The State Supreme Court recently refused to hear the state's appeal. As a result, *the state is now faced with paying \$500 million to \$1 billion in damages* to the residents of Linda and Olivehurst for damages caused by the failed levee.

This decision will have significant impacts on the state since approximately 50 percent of the levees that comprise the Sacramento River Flood Control Project were originally built with inferior materials with methods that did not meet engineering standards. The department has indicated that the Paterno ruling *could make the state potentially liable for any levee failure where it can be demonstrated that the core of the levee did not meet engineering standards of*

the day at the time it was constructed. The department has indicated that it is currently working on a white paper on how to manage the liabilities presented by the Paterno case.

Staff Comments. The Paterno case further elevates the importance of prioritizing the limited state resources currently dedicated to flood management. Since the General Fund has been the primary source of funding for flood management activities, funding levels have been unstable and do not coincide with infrastructure needs. A long-term strategy for funding flood management activities needs to be developed to address funding needs. The Analyst's recommendation is one option for freeing up state funds so that they can be prioritized to fund critical needs, including baseline investments in floodplain management. However, the state also needs to deal with the more immediate potential financial liability that the Paterno case presents, given the hundreds of miles of inferior levees under the state's jurisdiction.

Questions the Subcommittee may wish to ask the administration.

- How does the department currently prioritize flood management activities?
- What funding options does the state have to finance the state's flood management obligations?
- What is the status of the white paper the department is currently developing to address the potential liability created by the Paterno decision?

Staff Recommendation. Staff recommends the subcommittee ***direct staff to develop trailer bill language consistent with the LAO's recommendation to reduce the state's share of federally authorized flood control projects from 50 percent to 30 percent.*** Furthermore, staff also recommend the subcommittee ***adopt supplemental report language*** to direct the department to develop a report on options for dealing with the potential liability created by the Paterno decision.

4. State Maintenance Areas

Background. The state is currently directly responsible for maintenance of around 150 miles of levees in ten "state maintenance areas" located in the Central Valley and significant portions of the Sacramento River Flood Control Project. Current law allows local reclamation districts to voluntarily transfer its obligation to maintain any flood control structure to the state if the local district declares that it no longer desires to operate and maintain the structure. Therefore, increasing the state's maintenance areas. In setting up a new maintenance area DWR is authorized to collect assessments from the local reclamation district to cover the costs associated with maintaining the local flood control structures. However, the law does not allow the department's start-up costs associated with forming a new maintenance area to be reimbursed from the local district.

April Finance Letter. In an April finance letter the administration requests a \$321,000 increase in DWR's reimbursement authority to cover the costs associated with the creation of a new maintenance area. During 2003 two local public agencies that maintain federal flood control projects turned over maintenance of its projects to DWR. This is the first time the department has had to form a maintenance area outside of the Central Valley. The April finance letter also proposes trailer bill language to amend current law to give DWR discretion over whether to form

a maintenance area outside the Central Valley in the future. It would also authorize the department to fully recover all costs related to establishing a new state maintenance area.

LAO Recommendation. The Analyst has recommended trailer bill language similar to that proposed by the department in its April finance letter.

Staff Comments. The department has indicated that local agencies have sought to transfer maintenance responsibilities to the state for a variety of reasons. Some of the reasons cited include the limitations of Proposition 218 on the ability to increase taxes, the costs of environmental compliance needed to perform the maintenance work, and the risk of liability for damages resulting from flood events. Staff recognizes that these are legitimate issues that local reclamation districts are faced with, however, current law places unwarranted burden and liability on the state. This is especially of concern in light of the Paterno decision that could make the state potentially liable for any levee failure where it can be demonstrated that the core of the levee did not meet engineering standards of the day at the time it was constructed.

Staff Recommendation. Staff recommends the subcommittee *approve the April finance letter proposal to increase reimbursements to fully fund the departments flood control maintenance activities, including adopting the trailer bill language* to amend current law to give DWR discretion over whether to form new maintenance areas.

5. Watermaster Service Program

Background. The Watermaster Service Program was established to ensure water is allocated according to established water rights as determined by court adjudication. This program applies to a number of streams in northern California and several groundwater basins in southern California. The department's Watermaster program provides a physical presence in the field to ensure that water is distributed in a manner consistent with court adjudication and put to beneficial uses.

Governor's Budget and April Finance Letter. The Governor's budget proposes eliminating all General Fund support for the Watermaster program (\$713,000). The April finance letter proposes to increase reimbursements by \$1.6 million to make the Watermaster program fully funded by fees assessed on water users. This program was historically funded equally between the General Fund and water users. The administration is also proposing trailer bill language to make this program fully reimbursable from water users. This proposal also increases the programs baseline funding to \$2.5 million to reflect the full costs of the program. Funding for this program had been reduced over the past decade, while costs had increased leaving the program underfunded.

Staff Comments. Water users are clearly beneficiaries of the Watermaster program. The department has indicated that current fees are based on the size of the water diversion and are set to reflect the actual cost of providing the Watermaster program. This approach is a reasonable and equitable way to cover the costs of this program.

Staff Recommendation. Staff recommends that the subcommittee *adopt the April finance letter proposal to increase reimbursements by \$1.6 million to fund the Watermaster program,*

including adopting the proposed trailer bill language necessary to make this program fully reimbursable.

6. April Finance Letter—Bond Proposal—Informational Display

Summary. A summary of the resource bond-related budget amendments that were requested by the administration in the 2004-05 April finance letter for DWR is included in **Appendix C**. The amendments include proposals to expend approximately \$263 million from all bond sources. The administration also requests reappropriation of about \$220 million bond funds that were appropriated in prior years. These funds were not expended for a variety of reasons, including delays due to the need to develop criteria to implement new programs and delays caused by the hiring freeze. Finally, the administration also requests an extension of the liquidation period for approximately \$124 million in bond funds to assure funds are available to complete various projects and contracts.

7. Bond Fund Program Support

Background. In the current year budget Control Section 4.10 was enacted that required the elimination of 16,000 positions across state government. This control section resulted in the elimination of many newly established bond positions that were vacant at the time of these reductions. The DWR eliminated about 200 positions as a result of the reductions made by Control Section 4.10. A portion of these positions was bond funded.

April Finance Letter. The administration's bond proposal provides four new bond funded positions. Two of the positions are to support the CALFED Watershed Program that is a new grant program managed by the department. The remaining two positions are for additional administration and accounting support for Proposition 13 bond funds.

Substantial Prior Year Bond Fund Appropriations Remain Unexpended. The department is requesting reappropriation of a significant level of funds appropriated in prior years that have not been expended. In some cases these funds have not been expended because the funds appropriated are for new programs and the department is still developing criteria to allocate the funds. For example, the Integrated Regional Water Management Program funds would fall into this category. However, it is not clear why some programs have been delayed. These programs include the following:

- Groundwater Storage Grant Program (\$77.3 million)
- CALFED Water Supply Reliability Program (\$72.4 million)
- CALFED Water Use Efficiency (\$34.2 million)

LAO Recommendation. The Analyst finds that staffing reductions have substantially delayed the implementation of some new bond-funded programs. Furthermore, the Analyst recommends that the administration report to the Legislature on the status of expenditures made from current-and prior-year bond fund appropriations and its plans to improve the timeliness of implementing bond-funded programs.

Staff Comments. Staff observes that other departments have requested positions to implement bond funded programs and restore positions eliminated as a result of Control Section 4.10 reductions. Since DWR essentially requests no new positions to implement its bond funded programs it is not clear that these programs are staffed at levels adequate to implement these programs in a timely manner.

Staff Recommendation. Staff recommends the subcommittee *withhold action on the department's bond proposal and direct the department to provide information to the subcommittee before the May Revision meeting of this subcommittee on proposed staffing levels for each bond funded program, along with information on the bond-funded positions eliminated as part of Control Section 4.10 reductions.*

8. Integrated Regional Water Management Program

Background. The Integrated Regional Water Management (IRWM) Program being implemented jointly by DWR and the State Water Resources Control Board (SWRCB) represents a departure from the way the state has traditionally funded water-related projects. This program is designed to award grants to projects that propose regional integrated solutions to solving water problems. This differs from traditional single purpose projects, such as water use efficiency projects or water recycling projects.

Governor's Budget. The Governor's budget proposes \$400,000 to continue to support the IRWM program at DWR and \$1.3 million to support SWRCB. No new program funds have been proposed for appropriation to DWR in the budget year since the departments have not allocated any of the appropriation for projects made in the current year. The SWRCB is proposing \$10 million for projects in addition to funding provided in the current year. Approximately, \$47 million was provided for DWR for projects in the current year, and \$31.5 million for SWRCB.

Statutory Guidance Minimal. Presently the department and board are developing guidelines and criteria for awarding grants under this program. However, current law provides relatively little guidance as to what type of projects should be funded from this program. Implementing legislation currently guiding this process is summarized below:

- Chapter 618, Statutes of 2002 (SB 1473, Macahdo)—Allocates Chapter 8 funds equally to DWR and SWRCB and provides a funding split for northern and southern California.
- Chapter 767, Statutes of 2002 (SB 1672, Costa)—Defines a regional water management group as a group of three or more local public agencies.
- Chapter 240, Statutes of 2003 (AB 1747, Oropeza)—Expend at least \$20 million from the Integrated Regional Water Management Account on competitive grants for groundwater and recharge projects.

None of this legislation provides the department significant legislative direction in developing criteria for awarding these grants. For example, it is not clear how the departments will define integrated or region. It is also not clear that priority will be given to projects that have integrated solutions versus single objective projects.

Staff Recommendation. Staff recommends that the Subcommittee *direct staff, the LAO, and the department to develop trailer bill language to provide more statutory guidance for implementing the Integrated Regional Water Management Program.*

9. Environmental Water Account—Informational Issue

Background. The Environmental Water Account (EWA) program is to acquire water for endangered species protection and recovery and to hold this water in reserve to use when endangered species need it most. The goal is to reduce the likelihood of fishery agencies placing new restrictions on the operations of state and federal water projects that could reduce water deliveries to agricultural and urban users. Trailer bill language (Chapter 240, Statutes of 2003 [AB 1747, Budget Committee]) that accompanied the 2003-04 Budget Act included a requirement that not less than 50 percent of the funds made available for the EWA be used for the acquisition of long-term water purchase contracts and permanent water rights.

Governor's Budget. The Governor's budget proposes approximately \$32.5 million for EWA activities. In addition, approximately \$70 million appropriated in the current year for the CALFED Water Supply Reliability program may also be dedicated to support EWA. Staff are not aware of any long-term water purchase contracts or permanent water rights purchased to date to support EWA.

Staff Comments. The CALFED Record of Decision (ROD) specifies, "The EWA will provide for fishery protection actions that are supplemental to a baseline level of protection established by an existing set of regulatory programs." (Excerpt from page 55 of the ROD.) Presumably the regulatory programs referred to in the ROD includes programs like the endangered species act, the federal clean water act, and other regulatory programs. Staff has been advised that EWA water purchases may be used to compensate water users for actions the water users would have otherwise been required to make under existing regulatory programs. Given this, it is not clear that state funds should provide the sole support for the EWA since water provided through this account directly benefits specified water users.

Questions the Subcommittee may wish to ask the department.

- How has the EWA been used to provide benefits to the water users, specifically Central Valley Project and State Water Project exporters?
- About how much of the EWA water has been used to provide these benefits to the water users?
- Are EWA funds being used to compensate water users for actions water users would have otherwise been required to do to comply with current law? How does the department track this?
- If the EWA is being used to compensate water users for actions it otherwise would have been required to do to comply with current law, should the CALFED Program require EWA beneficiaries to fund a share of the EWA program compensatory with benefits received?

3870 California Bay-Delta Authority

Background. Pursuant to a federal-state accord signed in 1994, CALFED was administratively created as a consortium of state and federal agencies that have regulatory authority over water and resource management responsibilities in the Bay-Delta region. The CALFED program now encompasses 12 state and 13 federal agencies. The objectives of the program are to:

- Provide good water quality for all uses.
- Improve fish and wildlife habitat.
- Reduce the gap between water supplies and projected demand.
- Reduce the risks from deteriorating levees.

After five years of planning, CALFED began to implement programs and construct projects in 2000. The program's implementation—which is anticipated to last 30 years—is guided by the "Record of Decision" (ROD). The ROD represents the approval of the lead CALFED agencies of the final environmental review documents for the CALFED "plan." Among other things, the ROD lays out the roles and responsibilities of each participating agency, sets goals for the program and types of projects to be pursued, and includes an estimate of the program's costs for its first seven years. In the ROD, these costs are projected to total \$8.5 billion for the program's first seven years (2000-01 through 2006-07). This amount has recently been revised upward to \$9.2 billion.

The California Bay-Delta Authority (CBDA) oversees the CALFED program. Among the duties of CBDA are the annual review and approval of long-term expenditure plans of the implementing agencies and the preparation of a comprehensive program budget proposal.

Governor's Budget. The Governor's budget proposes \$30.9 million to support CBDA in 2004-05. This is approximately 84 percent less than the level of expenditures estimated in the current year due to the administration's decision to defer its bond proposal until the spring.

The administration's April finance letter proposes to increase the budget for CBDA by \$21.7 million, thereby increasing the total budget for 2004-05 to \$52.6 million.

California Bay-Delta Authority
Governor's Budget Spending Totals
(Dollars in Thousands)

		Proposed for 2004-05		
	Actual 2002-03	Estimated 2003-04	Amount	Percent Change
Type of Expenditure:				
Program Support	-	\$191,999	\$30,909	-84%
Total	-	\$191,999	\$30,909	-84%
Funding Source:				
General Fund	-	\$10,916	\$8,515	-22%
Bond funds	-	135,222	884	-99%
<i>Budget Act Total</i>	-	<i>146,138</i>	<i>9,399</i>	<i>-94%</i>
Federal Funds	-	29,352	5,000	-83%
Reimbursements	-	16,510	16,510	0%
Total	-	\$192,000	\$30,909	-84%

Budget Change Proposals. No budget change proposals were submitted in 2004-05 for BDA.

1. CALFED Bay-Delta Program Funding—Informational Display

Summary. A summary of the proposed funding for the entire CALFED Bay-Delta Program is included in **Appendix D**. The administration proposes \$370.8 million state funds for the CALFED program in the budget year. The majority of that funding is from various bond funds. The General Fund provides about \$12 million to support the CALFED program, which is a 90 percent reduction in funding from the General Fund since 2000-01.

2. CALFED User Fee

Background. The CALFED Record of Decision (ROD) envisions a federal-state-local-user funding partnership. In most cases, the cost sharing reflects a 50-50 split between state and federal sources or a 33-33-33 split among federal, state, and local/private sources. State bond funds and the General Fund have largely funded the CALFED program. Funding from federal sources and other non-state support has lagged significantly. The Legislature enacted budget bill language that stated legislative intent that CBDA submit a broad-based user fee proposal for inclusion in the 2004-05 Governor's Budget, consistent with the beneficiary pays principle in the ROD.

Governor's Budget. The Governor's budget does not include a broad-based user fee as directed by the Legislature in the current year. However, CBDA continues to work on an options report that will present a range of options for implementing a broad-based user fee.

LAO Recommendation. The Analyst recommends the enactment of legislation to impose a fee on Bay-Delta water diverters to pay an appropriate share of costs of CALFED activities that benefit them. The Analyst finds that many CALFED activities provide benefits that are shared between the public-at-large and water users that divert water from the Bay-Delta system. The CBDA is currently evaluating the portion of each of its program elements benefits Bay-Delta water diverters as a broad group. The Analyst finds that to a large degree the benefits of CALFED to the Bay-Delta water diverters are in the form of increased water supply reliability. For example, ecosystem restoration expenditures for fish habitat improvements can facilitate the easing of restrictions on pumping water from the system, thereby making water deliveries more reliable. The Analyst also indicates that it might be necessary to amend existing reporting requirements related to water rights to enable CBDA to identify all diverters from the Bay-Delta system.

Staff Comments. CALFED programs have largely relied on resources bond funds to support its programs over the past few years. However, these funds are finite and bond funding for some program elements will be running out as early as 2005-06. Therefore, it is critical that a CALFED user fee be put in place to continue funding many of the CALFED program elements. Furthermore, the CALFED ROD specifies that a user fee raising at least \$35 million annually for ecosystem restoration be in place by 2003-04.

The subcommittee may wish to ask the department the following questions.

- What is the timeline for finalizing the options report?
- What additional work needs to be completed before BDA can make a recommendation on a user fee structure?

Staff Recommendation. Staff recommends that the *subcommittee adopt the following trailer bill language to implement a broad-based user fee:*

It is the intent of the Legislature that water users that benefit from the implementation of the CalFed Record of Decision and the Bay-Delta Program shall be responsible for funding one half of the non-federal portion of those costs that provide general and shared benefits to users and to the public. This funding shall be in addition to costs that are charged to direct and identifiable beneficiaries of specific projects and programs.

79425. (a) The authority shall collect a fee annually from those agencies and persons diverting water from the Bay-Delta watershed, in an amount that is equal to one half of the State CalFed Budget as defined in paragraph (c). These fees shall be adjusted to reflect any fees paid in the same year under other provisions of law or agreements if the authority finds that the revenues of those fees are applied to appropriate Bay-Delta Program activities.

(b) The fee imposed by this section shall be in proportion to the amount of water diverted except that the authority may develop an alternative formula that sets minimum diversion amount, and establishes such other criteria as are necessary for the effective and equitable implementation of this section.

(c) For the purpose of this section “State CalFed Budget” means the total amount of funds provided each year to the authority and the implementing agencies to achieve balanced implementation of the program’s goals and objectives, including revenues from the fees identified in paragraph (a), but excluding federal funds, local agency cost share of projects, and costs charged to direct beneficiaries for projects implemented pursuant to this chapter.

(d) The Board shall transmit funds collected pursuant to this section, after deducting reasonable administrative costs, to the appropriate implementing agencies for expenditure.

3. Adoption of the Beneficiary Pays Principle

Background. The CALFED ROD states that “a fundamental philosophy of the CALFED program is that costs should, to the extent possible, be paid by beneficiaries of the program actions.” The Legislature has made several statements of intent consistent with the application of the beneficiary pays principle in funding CALFED. However, this funding principle has not been adopted as a statutory policy to guide CALFED’s funding on an ongoing basis. Applying the beneficiary pays principle will result in a more appropriate allocation of the program’s costs to those who benefit from the program.

Governor’s Budget. The Governor’s budget does not include a specific proposal to fund the CALFED program based on the beneficiary pays principle.

LAO Recommendation. The Analyst recommends enacting legislation that adopts the beneficiary pays principle as a policy for funding the CALFED program and provides guidance on its application. Specifically, the Analyst recommends that the legislation require that the General Fund be reimbursed for planning costs of surface storage projects that proceed to construction. Furthermore, the Analyst recommends that the legislation provide parameters for using state general-purpose funds to support CALFED activities.

Staff Recommendation. Staff recommends that the subcommittee *direct staff, the LAO, and the department to develop trailer bill language to establish the beneficiary pays principle as state policy for funding the CALFED program.* The trailer bill language should include language to require water users to pay for their share of EWA relative to the benefits received, consistent with the beneficiary pays principle.

4. CALFED Science Program

Background. The CALFED Science program is one of the program elements of the CALFED Bay-Delta Program. The goal of this program is to ensure that the best possible scientific information guides decision-making within every aspect of the program. The BDA is the lead agency for implementing the CALFED Science program.

Governor's Budget. The Governor's budget proposes \$22.7 million to fund the CALFED Science program in 2004-05. The majority of the funding is proposed for allocation to BDA to support its program wide science activities.

Staff Comments. The CALFED ROD identifies numerous actions, both general and specific, to improve the conditions of key fish species. The CALFED ROD also states that the Ecosystem Restoration Program (ERP) "will be informed by the Science Program, which will monitor and evaluate the implementation of the ERP actions and conduct pertinent research." Staff has been advised that to date, the science program has yet to address the fundamental question of how much water the fish need for restoration.

Questions the Subcommittee may wish to ask the department.

- What is the status of studies to evaluate how much water is needed to restore fisheries?

Staff Recommendation. The Subcommittee may wish to direct staff to develop language to require the CALFED Science program to address the issue of how much water is needed to restore fisheries.

5. CALFED Watershed Grant Process—Informational Issue

Background. The CALFED Watershed grant program has been the subject of significant criticism from participants in the process. Many parties have cited that the grant process is extremely slow and non-transparent. Adding to the confusion, administration of the program has been shared over the life of the program. Year 1 of these grants is managed by DWR, years 2 and 3 are being managed by SWRCB, and in year 4 of this program (2004-05) administration of this program is proposed to transfer back to DWR.

BDA's Response. In response to numerous comments and input received from the Bay-Delta Public Advisory Committee, its Watershed Subcommittee, BDA, and the public, on the process used to select the recent Watershed grants, BDA has prepared recommendations to improve the process for selecting watershed grants.

Questions the Subcommittee may wish to ask the department.

- What are the details of BDA's proposal to improve the current Watershed grant process?

6. April Finance Letter—Bond Proposal

Summary. The following is a summary of the budget amendments requested by the administration in the 2004-05 April finance letter for BDA.

California Bay-Delta Authority

April Finance Letter, 2004-05

(Dollars in Thousands)

Description	Proposition 50	Personnel Years
CALFED Science Program. Proposes \$7.5 million for data analysis and a competitive grant process to address critical information needs. Also proposes \$1.7 million to fund the Science Board, participation in other expert panels, and collaborative studies called "signature projects" that study cross-program impacts on the Delta. Proposes \$1.95 million to commission white papers for use in management decisions. Proposes \$850,000 to support and review performance measures developed and used by individual CALFED programs. Proposes \$750,000 to support the communication of scientific information between scientists and managers in the programs.	\$12,768	0.0
CALFED Ecosystem Restoration Program. Proposes \$3.4 million to support contracts to maintain the necessary levels of scientific review of the proposals and ensure competitiveness and transparency in the proposal selection process. Proposes \$1.8 million to provide external scientific and technical review of the ecological returns of a project after the projects has been completed.	5,217	0.0
CALFED Watershed Program. Proposes funding to support the coordination of the watershed program among the implementing agencies, track and evaluate the performance of the program, and provide education and outreach to support adaptive management of the program.	3,751	0.0
Reappropriation-Proposition 50. Proposes to reappropriate \$52,000 for the CALFED conveyance program that has been delayed. Proposes to reappropriate \$12.5 million for the Science program that has been delayed due to the recent freeze on state contracting.	0	0.0
Reappropriation-Proposition 204. Proposes to reappropriate \$18.4 million for the ecosystem restoration program that has been delayed due to extensive negotiations for land acquisitions to support this program.	-	0.0
Total	\$21,736	0.0

Staff Recommendation. Staff recommends that the subcommittee withhold action on the April finance letter for BDA pending resolution of budget issues discussed earlier.

3940 State Water Resources Control Board

1. April Finance Letter—Bond Funds Only

Summary. The following is a summary of the budget amendments requested by the administration in the 2004-05 April finance letter for SWRCB.

State Water Resources Control Board**April Finance Letter - Bond Proposal, 2004-05***(Dollars in Thousands)*

Description	Prop 13	Prop 50	Positions
State Operations. Proposes funding and positions to administer grant and local assistance programs. Of the positions requested, 9 are extensions of positions established in the current year on a one-time basis and 6.2 are new positions. The 1.5 positions supporting the Ag Water Quality Program are proposed on a one-year limited term basis.	-	\$1,399	15.2
Groundwater Monitoring. Proposes local assistance funding for the Groundwater Monitoring Program, which is mandated by Chapter 522, Statutes of 2001 (AB 599, Liu). Funding is proposed from Chapter 8 of the bond.	-	10,000	0.0
Agricultural Water Quality Program. Proposes reappropriation of local assistance funds appropriated in the current year for the Agricultural Water Quality Program. These funds were not distributed in the current year due to requirements to adopt project guidelines, ensure public participation, and provide outreach to disadvantaged communities that extended the timeframe for awarding grants. Funding is proposed from Chapter 5 of the bond.	-	9,500	0.0
State Operations. Proposes funding and positions to accelerate implementation of watershed protection and non-point source pollution control grants. The new positions are proposed as three-year limited term positions. In addition, four existing Proposition 204 positions are proposed to be redirected to support the accelerated implementation of Proposition 13 grants.	\$574	-	6.0
Water Recycling. Proposes additional local assistance funds for the Water Recycling Program that provides construction grants and loans to local agencies to design and construct water recycling facilities.	21,689	-	0.0
Watershed Protection. Proposes local assistance funds for the Watershed Protection Program that provides grant funding to local agencies and nonprofit organizations for projects that assist in implementing watershed plans.	1,423	-	0.0
Non-Point Source (NPS) Pollution. Proposes local assistance funds for the NPS Pollution Control Program to provide grant funds to local agencies and nonprofit organizations for projects that control NPS pollution.	1,047	-	0.0
Coastal NPS Pollution. Proposes local assistance funds for the Coastal NPS Pollution Control Program to provide grant funds to local agencies, educational institutions, and nonprofit organizations to fund projects that protect water quality of coastal waters.	2,941	-	0.0
Total	\$27,674	\$20,899	21.2

Background. Concerns have been raised regarding the length of time it takes the board to award grants and contracts. These problems were in part a result of administrative actions such as the hiring freeze and Control Section 4.10 reductions that eliminated many newly created bond-funded positions that had not been filled. Staffing issues have caused some delays in many of the board's grant programs. Specifically, the water recycling grant program was delayed

significantly. In addition, specific concerns have been raised regarding the board's administration of the CALFED Watershed Grant program.

April Finance Letter. The April finance letter for SWRCB requests 21 additional positions to implement its bond funded programs. Many of these positions restore positions lost in the Control Section 4.10 reductions. In addition, the administration proposes to transfer the CALFED Watershed Grant program to the Department of Water Resources in the budget year. However, the board will continue to administer grant funds allocated in 2002-03 and 2003-04. **Appendix E** provides a summary of the board's current schedule for implementing its various bond-funded programs.

Water Recycling Grant Program. Staff has been informed that the board is not considering funding some water recycling projects that have already started to construction. These projects were on the board's category 1A list, which put them first in line for Proposition 50 funding. However, due to delays in the grant process, some of these projects went to construction without a grant award from the board. In these specific cases, the local agencies could not wait for Proposition 50 awards from the board due to the need to start construction to satisfy commitments made to other funding partners. Staff understands that this applies to a small number of projects.

Questions the Subcommittee may wish to ask the department.

- What reforms have been made to reduce the time it takes to issue grants at the board?
- Will the board consider awarding grants to projects from the category 1A list that have already gone to construction?

Staff Recommendation. Staff recommends the subcommittee withhold action on the board's April finance letter pending additional information on improvements made in the board's grant process and information regarding funding for high priority water recycling projects that have already started construction.

Appendix A—Proposition 40 and 50 Expenditures

Proposition 40**Summary of 2004-05 Bond Proposal and Remaining Bond Funds***(Dollars in Thousands)*

#	Department	Description	Bond Allocation	Proposed 2004-05	Balance Available
Section a - State Park System					
3790	Parks and Recreation	State Park Development and Acquisition.	181,325	16,616	4,312
3790	Parks and Recreation	State Park Development and Acquisition - Administration.	7,005	1,437	-
3790	Parks and Recreation	State Park Development and Acquisition Capital Outlay.	28,795	26,578	-
		Statewide Bond Costs.	7,875	-	-
<i>Subtotal</i>			<i>225,000</i>	<i>44,631</i>	<i>4,312</i>
Section b					
3790	Parks and Recreation	Per capita grants to cities and districts.	197,974	0	0
3790	Parks and Recreation	Per capita grants to cities and districts - Administration.	4,676	681	-
3790	Parks and Recreation	Per capita grants to counties and regional park districts.	131,981	0	0
3790	Parks and Recreation	Per capita grants to counties and regional park districts - Administration.	3,119	453	-
3790	Parks and Recreation	Roberti-Z'berg-Harris Grant Program.	188,542	31,739	0
3790	Parks and Recreation	Roberti-Z'berg-Harris Grant Program - Administration.	4,458	646	-
3790	Parks and Recreation	Specified Per Capita - Los Angeles	21,209	0	0
3790	Parks and Recreation	Specified Per Capita - Los Angeles - Administration.	503	71	-
3790	Parks and Recreation	Murray-Hayden competitive grants.	47,139	0	0
3790	Parks and Recreation	Murray-Hayden competitive grants - Administration.	1,111	163	-
3790	Parks and Recreation	Specified Urban Grants - Rancho Cucamonga, Hansen Dam, Sepulveda Basin.	18,856	0	0
3790	Parks and Recreation	Specified Urban Grants - Rancho Cucamonga, Hansen Dam, Sepulveda Basin - Administration.	444	67	-
3790	Parks and Recreation	Youth Soccer and Recreation Development Grant Program.	23,564	23,337	0
3790	Parks and Recreation	Youth Soccer and Recreation Development Grant Program - Administration.	561	79	-
3790	Parks and Recreation	State Urban Parks and Healthy Communities Grant Program.	23,564	23,337	0
3790	Parks and Recreation	State Urban Parks and Healthy Communities Grant Program - Administration.	561	79	-
3790	Parks and Recreation	Urban Parks Initiative.	131,981	0	0
3790	Parks and Recreation	Urban Parks Initiative - Administration.	3,119	453	-

	Statewide Bond Costs.	29,138	-	-
<i>Subtotal</i>		832,500	81,105	0
Section c				
3640 Wildlife Conservation	Land, Air, and Water Conservation Acquisitions.	275,798	0	1,500
3640 Wildlife Conservation	Land, Air, and Water Conservation Acquisitions - Administration.	13,702	439	-
3760 Coastal Conservancy	Land, Air, and Water Conservation Acquisitions.	188,364	20,000	0
3760 Coastal Conservancy	Land, Air, and Water Conservation Acquisitions - Administration.	4,636	851	-
3125 Tahoe Conservancy	Land, Air, and Water Conservation Acquisitions.	37,203	9,922	21,429
3125 Tahoe Conservancy	Land, Air, and Water Conservation Acquisitions - Administration.	1,397	603	-
3810 Santa Monica Cons.	Land, Air, and Water Conservation Acquisitions.	37,241	0	12,600
3810 Santa Monica Cons.	Land, Air, and Water Conservation Acquisitions - Administration.	1,359	218	-
3850 Coachella Cons.	Land, Air, and Water Conservation Acquisitions.	19,082	2,871	0
3850 Coachella Cons.	Land, Air, and Water Conservation Acquisitions - Administration.	218	100	-
3830 San Joaquin Cons.	Land, Air, and Water Conservation Acquisitions.	23,768	11,000	1,545
3830 San Joaquin Cons.	Land, Air, and Water Conservation Acquisitions - Administration.	357	106	-
3825 San Gabriel Cons.	Land, Air, and Water Conservation Acquisitions.	38,405	6,200	0
3825 San Gabriel Cons.	Land, Air, and Water Conservation Acquisitions - Administration.	195	734	-
3835 Baldwin Hills Cons.	Land, Air, and Water Conservation Acquisitions.	38,261	7,200	8,648
3835 Baldwin Hills Cons.	Land, Air, and Water Conservation Acquisitions - Administration.	339	101	-
3760 Coastal Conservancy	San Francisco Bay Area Conservancy Acquisitions.	36,600	6,400	4,200
3760 Coastal Conservancy	San Francisco Bay Area Conservancy Acquisitions - Administration.	2,000	0	-
0540 Resources Agency	River parkways program.	65,502	7,850	0
0540 Resources Agency	River parkways program - Administration.	2,048	525	-
0540 Resources Agency	Urban Streams Program.	4,741	0	0
0540 Resources Agency	Urban Streams Program - Administration.	84	83	-
Various	Clean beaches, watershed protection, and water quality.	259,349	14,481	4,161
Various	Clean beaches, watershed protection, and water quality - Administration.	30,151	1,204	-
3900 Air Resources Board	Air Pollution Reduction.	48,000	0	0

3900 Air Resources Board	Air Pollution Reduction - Administration.	250	0	-
3340 Conservation Corps	Conservation Corps - Capital Outlay.	2,302	1,052	0
3340 Conservation Corps	Conservation Corps - Local Assistance to Local Corps.	12,224	4,003	0
3340 Conservation Corps	Conservation Corps - Administration.	4,774	172	-
3480 Conservation	Agricultural Lands.	55,891	12,000	9,362
3480 Conservation	Agricultural Lands - Administration.	16,484	529	-
3540 Forestry	Urban Forestry	9,150	0	9,150
3540 Forestry	Urban Forestry - Administration.	500	0	-
	Statewide Bond Costs.	44,625	-	-
<i>Subtotal</i>		<i>1,275,000</i>	<i>108,644</i>	<i>72,595</i>
Section d				
Various	Historical and cultural resources.	221,879	0	332
Various	Historical and cultural resources - Administration.	71	1,636	-
3790 Parks and Recreation	Specified Cultural - Golden Gate Park/El Pueblo Cultural and Performing Arts Center.	35,356	0	0
3790 Parks and Recreation	Specified Cultural - Golden Gate Park/El Pueblo Cultural and Performing Arts Center - Administration.	832	123	-
	Statewide Bond Costs.	9,362	-	-
<i>Subtotal</i>		<i>267,500</i>	<i>1,759</i>	<i>332</i>
Total		\$2,600,000	\$236,139	\$77,239

Proposition 50**Summary of 2004-05 Bond Proposal and Remaining Bond Funds***(Dollars in Thousands)*

#	Department	Description	Bond Allocation	Proposed 2004-05	Balance Available
Chapter 3 - Water Security					
4260	Health Services	Drinking water security.	47,250	10,112	22,328
4260	Health Services	Administration	1,000	262	480
		Statewide Bond Costs	1,750	-	-
<i>Subtotal</i>			<i>50,000</i>	<i>10,374</i>	<i>22,808</i>
Chapter 4 - Safe Drinking Water					
4260	Health Services	Safe drinking water infrastructure improvements - Northern California.	164,942	17,000	126,942
4260	Health Services	Safe drinking water infrastructure improvements - Southern California.	247,413	80,839	87,367
4260	Health Services	Administration	7,420	1,945	3,561
		Statewide Bond Costs	15,225	-	-
<i>Subtotal</i>			<i>435,000</i>	<i>99,784</i>	<i>217,870</i>
Chapter 5 - Clean Water and Water Quality					
3940	Water Control Board	Water Quality Competitive Grants.	91,500	0	25,162
3940	Water Control Board	Water Quality Grant - Administration	5,000	1,150	2,481
0540	Resources Secretary	River Parkways	91,500	30,500	61,000
0540	Resources Secretary	River Parkways - Administration.	5,000	439	4,561
3125	Tahoe Conservancy	Tahoe Environmental Improvement Program.	36,600	9,000	27,245
3125	Tahoe Conservancy	Tahoe Environmental Improvement Program - Administration.	2,000	355	2,000
3940	Water Control Board	Coastal waters program.	73,200	0	66,200
3940	Water Control Board	Coastal waters program - Administration.	4,000	406	3,230
3940	Water Control Board	Coastal waters - Santa Monica Bay Restoration.	18,300	0	300
3940	Water Control Board	Coastal waters - Santa Monica Bay Restoration - Administration.	1,000	131	869
0540	Resources Secretary	Sierra Nevada Cascade Program.	27,450	9,150	18,300
0540	Resources Secretary	Sierra Nevada Cascade Program - Administration.	1,500	194	1,306
		Statewide Bond Costs	12,950	-	-
<i>Subtotal</i>			<i>370,000</i>	<i>51,325</i>	<i>212,654</i>
Chapter 6 - Contaminant and Salt Removal Technologies					
3860	Water Resources	Desalination Program.	46,290	0	21,290
3860	Water Resources	Desalination Program - Administration.	1,960	264	1,560
3860	Water Resources	Drinking water pilot projects.	45,750	0	34,500
3860	Water Resources	Drinking water pilot projects - Administration.	2,500	146	1,892
		Statewide Bond Costs	3,500	-	-
<i>Subtotal</i>			<i>100,000</i>	<i>410</i>	<i>59,242</i>

Chapter 7 - CALFED Bay-Delta Program

Various	CALFED Surface water storage.	48,250	20,137	430
Various	CALFED Water Conveyance.	72,375	1,210	68,729
Various	CALFED Delta Levee Program.	65,113	22,103	18,400
Various	CALFED Delta Levee Program - Administration.	2,437	419	1,209
Various	CALFED Water Supply Reliability - Environmental Water Account.	169,827	36,839	15,000
Various	CALFED Water Supply Reliability - Environmental Water Account - Administration.	3,873	716	1,647
Various	CALFED Ecosystem restoration program.	146,390	72,638	8,748
Various	CALFED Ecosystem restoration program - Administration.	8,010	3,651	3,112
Various	CALFED Ecosystem restoration program - agricultural activities.	18,310	7,647	3,645
Various	CALFED Ecosystem restoration program - agricultural activities - Administration.	990	307	463
Various	CALFED Watershed program.	82,350	28,344	716
Various	CALFED Watershed program - Administration.	4,500	1,687	2,269
Various	CALFED Water use efficiency.	168,719	3,072	73,338
Various	CALFED Water use efficiency - Administration	4,981	1,258	2,190
	Statewide Bond Costs	28,875	-	-
<i>Subtotal</i>		<i>825,000</i>	<i>200,028</i>	<i>199,895</i>

Chapter 8 - Integrated Regional Water Management

3860 Water Resources	Integrated Regional Water Management	213,744	6,400	153,955
3860 Water Resources	Integrated Regional Water Management - Administration.	8,206	400	6,690
3860 Water Resources	Groundwater Management.	18,586	0	8,586
3860 Water Resources	Groundwater Management - Administration.	714	0	714
3940 Water Control Board	Integrated Regional Water Management.	45,750	2,000	37,250
3940 Water Control Board	Integrated Regional Water Management - Northern California	91,500	4,000	74,500
3940 Water Control Board	Integrated Regional Water Management - Southern California	91,500	4,000	74,500
3940 Water Control Board	Integrated Regional Water Management - Administration.	12,500	1,299	10,541
3640 Wildlife Conservation	Water quality grants and acquisitions.	133,637	0	0
3640 Wildlife Conservation	Water quality grants and acquisitions - Administration.	1,463	550	224
	Statewide Bond Costs	22,400	-	-
<i>Subtotal</i>		<i>640,000</i>	<i>18,649</i>	<i>366,960</i>

Chapter 9 - Colorado River

3860 Water Resources	All-American Canal Lining.	19,300	300	0
3640 Wildlife Conservation	Colorado River Regulatory Program	45,750	13,250	0
3640 Wildlife Conservation	Colorado River Regulatory Program - Administration.	2,500	195	2,108

	Statewide Bond Costs	2,450	-	-
<i>Subtotal</i>		<i>70,000</i>	<i>13,745</i>	<i>2,108</i>
Chapter 10 - Coastal Watershed and Wetland Protection				
3760 Coastal Conservancy	Coastal watershed Protection Grants - transfer to Habitat Conservation Fund.	101,250	26,271	47,607
3760 Coastal Conservancy	Coastal watershed - public access.	11,250	2,769	6,981
3760 Coastal Conservancy	San Francisco Bay coastal watershed protection.	16,875	4,057	8,718
3760 Coastal Conservancy	San Francisco Bay coastal watershed - public access.	1,875	451	1,024
3760 Coastal Conservancy	Coastal watershed Programs - Administration.	3,850	643	2,634
3810 Santa Monica Cons.	Los Angeles River Watershed Protection	16,650	0	12,375
3810 Santa Monica Cons.	Los Angeles River Watershed Protection - public access.	1,850	0	1,375
3810 Santa Monica Cons.	Los Angeles River Watershed Protection - Administration	800	106	589
3810 Santa Monica Cons.	Santa Monica Bay/Ventura County Coastal Watershed protection.	16,650	0	12,375
3810 Santa Monica Cons.	Santa Monica Bay/Ventura County Coastal Watershed protection - public access.	1,850	0	1,375
3810 Santa Monica Cons.	Santa Monica Bay/Ventura County Coastal Watershed protection - Administration.	800	106	589
3825 San Gabriel Cons.	San Gabriel/Lower Los Angeles River watershed protection.	16,830	5,580	7,200
3825 San Gabriel Cons.	San Gabriel/Lower Los Angeles River watershed protection - public access.	1,870	620	800
3825 San Gabriel Cons.	San Gabriel/Lower Los Angeles River watershed protection - Administration.	600	0	600
3640 Wildlife Conservation	Southern California coastal acquisitions.	238,735	0	0
3640 Wildlife Conservation	Southern California coastal acquisitions - Administration.	2,515	982	303
3640 Wildlife Conservation	Los Angeles/Ventura coastal acquisitions.	286,506	0	0
3640 Wildlife Conservation	Los Angeles/Ventura coastal acquisitions - Administration.	2,994	1,184	330
3640 Wildlife Conservation	San Francisco Bay coastal acquisitions.	190,966	0	0
3640 Wildlife Conservation	San Francisco Bay coastal acquisitions - Administration.	2,034	783	270
	Statewide Bond Costs	33,250	-	-
<i>Subtotal</i>		<i>950,000</i>	<i>43,552</i>	<i>105,145</i>
Statewide Costs				
Various	Statewide Costs	-	1,890	0
<i>Subtotal</i>		<i>0</i>	<i>1,890</i>	<i>0</i>
Total		\$3,440,000	\$439,757	\$1,186,682

Appendix B—State Conservancies

3125 California Tahoe Conservancy

Background. The California Tahoe Conservancy (CTC) acquires and manages land to protect the natural environment, provide public access and recreational facilities, and preserve wildlife habitat areas. It also awards grants to other agencies and nonprofit organizations for the purposes of its programs.

Governor's Budget. The Governor's Budget proposes \$5.1 million to support CTC in 2004-05. This is a reduction of over \$34 million (87 percent) from the current year budget due to the administration's decision to defer the majority of its bond fund proposal until later in the spring.

The administration's April finance letter proposes to increase the budget for CTC by \$17.5 million, thereby increasing the total budget for 2004-05 to \$23.2 million.

California Tahoe Conservancy Governor's Budget Spending Totals (Dollars in Thousands)

	Actual 2002-03	Estimated 2003-04	Proposed for 2004-05 Amount	Percent Change
Type of Expenditure:				
State Operations	\$3,984	\$3,877	\$4,091	6%
Local Assistance	5,051	11,977	0	-100%
Capital Outlay	12,195	23,574	1,569	-93%
Total	\$21,230	\$39,428	\$5,660	-86%
Funding Source:				
General Fund	\$2,739	\$63	\$0	-100%
Special Funds	5,887	4,874	4,210	-14%
Bond Funds	11,391	33,784	854	-97%
<i>Budget Act Total</i>	<i>20,017</i>	<i>38,721</i>	<i>5,064</i>	<i>-87%</i>
Tahoe Conservancy Fund	180	186	186	0%
Reimbursements	1,033	521	410	-21%
Total	\$21,230	\$39,428	\$5,660	-86%

Budget Change Proposals. No 2004-05 budget change proposals were submitted for CTC.

April Finance Letter. The following is a summary of the budget amendments requested by the administration in the 2004-05 April finance letter for CTC. This letter constitutes the administration's bond proposal for CTC.

California Tahoe Conservancy**April Finance Letter, 2004-05***(Dollars in Thousands)*

Description	Special Funds	Reimb- ursements	Prop 40	Prop 50	Total	Positions
<i>Environmental Improvement Program (EIP)--Support.</i> Proposes to increase support for California's ongoing commitment to the EIP for the Lake Tahoe Basin. Also proposes to redirect an additional \$191,000 of bond funds already in the base budget for this activity.	\$18	\$27	\$248	-	\$293	6.0
<i>EIP--Local Assistance.</i> Proposes to implement various programs in support of the EIP, including soil erosion control grants (\$7.5 million), public access and recreation (\$2.4 million), stream environment zone and watershed restoration (\$1.5 million), wildlife enhancement (\$350,000), and land acquisitions (\$250,000).	-	-	3,000	9,000	12,000	0.0
<i>Environmentally Sensitive Acquisitions.</i> Proposes funding to acquire environmentally sensitive land to support the EIP.	-	-	1,500	-	1,500	0.0
<i>Stream Environment Zones/Watershed Restoration.</i> Proposes funding for projects to restore degraded natural areas to help preserve water clarity in support of the EIP.	-	226	3,487	-	3,713	0.0
<i>Public Access and Recreation.</i> Proposes to fund acquisition and site improvement projects to improve public access and recreation opportunities in the Lake Tahoe Basin in support of the EIP.	-	-	1,223	-	1,223	0.0
<i>Wildlife Enhancement Program.</i> Proposes to fund acquisitions and site improvements to enhance wildlife habitat in support of the EIP.	-	-	712	-	712	0.0
Total	\$18	\$253	\$8,235	\$9,000	\$17,506	6.0

3760 State Coastal Conservancy

Background. The State Coastal Conservancy (SCC) is authorized to acquire land, undertake projects, and award grants for the purposes of (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses. In general, the projects must conform to California Coastal Act policies and be approved by the conservancy governing board.

Governor's Budget. The Governor's budget proposes \$16.4 million to support SCC in 2004-05. This is a reduction of over \$290 million (95 percent) from the current year budget due to the administration's decision to defer the majority of its bond fund proposal until later in the spring.

The administration's April finance letter proposes to increase the budget for SCC by \$68.7 million, thereby increasing the total budget for 2004-05 to \$85.1 million.

State Coastal Conservancy				
Governor's Budget Spending Totals				
<i>(Dollars in Thousands)</i>				
	Actual	Estimated	Proposed for 2004-05	
	2002-03	2003-04	Amount	Percent Change
Program:				
Coastal Resource Development	\$4,170	\$4,632	\$4,324	-7%
Coastal Resource Enhancement	2,096	3,685	3,041	-17%
Capital Outlay	128,349	301,344	9,000	-97%
Administration	1,642	2,245	2,497	11%
<i>less distributed administration</i>	<i>-1,642</i>	<i>-2,245</i>	<i>-2,497</i>	-
Total	\$134,615	\$309,661	\$16,365	-95%
Funding Source:				
General Fund	\$652	\$0	\$0	-
Special Funds	2,635	10,555	3,752	-64%
Bond Funds	125,509	276,655	4,057	-99%
<i>Budget Act Total</i>	<i>\$128,796</i>	<i>\$287,210</i>	<i>\$7,809</i>	<i>-97%</i>
State Coastal Conservancy Fund	\$3,984	\$8,326	\$4,520	-46%
Federal Funds	502	4,745	2,120	-55%
Reimbursements	1,332	9,380	1,916	-80%
Total	\$134,614	\$309,661	\$16,365	-95%

Budget Change Proposals. The following is a summary of the 2004-05 budget change proposals for SCC.

State Coastal Conservancy
Capital Outlay Budget Change Proposals, 2004-05
(Dollars in Thousands)

Description	Coastal Access Account	Coastal License Plate Fund	Violation Remediation Account	Total
<i>Public Access Program.</i> These funds are proposed to continue implementation of SCC's public access, education, and related programs.	\$400	\$700	\$100	\$1,200
Total	\$400	\$700	\$100	\$1,200

April Finance Letter. The following is a summary of the budget amendments requested by the administration in the 2004-05 April finance letter for SCC.

State Coastal Conservancy

April Finance Letter, 2004-05

(Dollars in Thousands)

Description	Special Funds	Prop 12	Prop 40	Prop 50	Total	Positions
Bond Administration. Proposes to fund 2 new permanent positions to address the additional reporting and auditing activities required by Proposition 50.	-	-	\$70	\$70	\$140	2.0
Office Move and Rent Increase. Proposes one-time funding of \$100,000 to cover moving costs and \$160,000 ongoing to cover increased rent costs.	260	-	-	-	260	0.0
Public Access Program. Proposes to reduce this program to shift some of the Whale Tail License Plate funding to the California Coastal Commission to fund its Coastal Marine Public Education Program grants. After this shift the Conservancy has \$900,000 remaining for its Public Access Program.	-300	-	-	-	-300	0.0
Conservancy Programs. Proposes funding for acquisitions, grants, and projects to provide public access to the coast, urban waterfront restoration, and wetlands enhancement.	-	-	20,000	-	20,000	0.0
San Francisco Bay Conservancy Program. Proposes funding for acquisitions, grants, and projects to enhance wetlands within the San Francisco Bay Area and to complete portions of the San Francisco Bay Trail, the Bay Area Ridge Trail, and other public access facilities.	-	-	6,400	-	6,400	0.0
Watershed Programs. Proposes funding to acquire protect, and restore land and water resources to protect coastal watersheds.	-	-	-	32,200	32,200	0.0
Central Coast Projects/California Coastal Trail. Proposes \$6.5 million for projects to preserve land in the Central Coast region. Proposes \$3.5 million for the implementation of the Coastal Trail, including building new trails, acquiring and developing new trail properties, and improving existing trails.	-	10,000	-	-	10,000	0.0
Total	-\$40	\$10,000	\$26,470	\$32,270	\$68,700	2.0

3810 Santa Monica Mountains Conservancy

Background. The Santa Monica Mountains Conservancy (SMMC) acquires, restores, and consolidates lands in the Santa Monica Mountains Zone for park, recreation, or conservation purposes.

Governor's Budget. The Governor's budget proposes \$629,000 to support the Santa Monica Mountains Conservancy in 2004-05. This is a reduction of over 97 percent from the current year due to the administration's decision to defer the majority of its bond fund proposal until later in the spring.

Santa Monica Mountains Conservancy

Governor's Budget Spending Totals

(Dollars in Thousands)

	Actual 2002-03	Estimated 2003-04	Proposed for 2004-05	
			Amount	Percent Change
Program:				
State Operations	\$662	\$698	\$629	-10%
Capital Outlay	11,964	23,602	0	-100%
Total	\$12,626	\$24,300	\$629	-97%
Funding Source:				
General Fund	\$0	\$0	\$0	-
Special Funds	464	269	200	-26%
Bond Funds	11,808	23,692	429	-98%
<i>Budget Act Total</i>	<i>\$12,272</i>	<i>\$23,961</i>	<i>\$629</i>	<i>-97%</i>
Santa Monica Mountains Conervancy Fund	\$354	\$189	\$0	-100%
Reimbursements	0	150	0	-100%
Total	\$12,626	\$24,300	\$629	-97%

Budget Change Proposals. No 2004-05 budget change proposals were submitted for SMMC.

April Finance Letter. No 2004-05 April finance letter was submitted for SMMC.

3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

Background. The San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (Rivers and Mountains) acquires and manages public lands in the San Gabriel basin, along the San Gabriel river and its tributaries, the lower Los Angeles river and its tributaries, and the San Gabriel Mountains. The conservancy acquires land to provide open space, low-impact recreational and educational uses, water conservation, watershed improvement, and wildlife and habitat restoration and protection.

Governor's Budget. The Governor's budget proposes \$767,000 to support the Rivers and Mountains Conservancy. This is a 98 percent reduction from the current year estimated expenditures due to the administration's decision to defer the majority of its bond fund proposal until later in the spring. The administration's bond

The administration's April finance letter proposes to increase the budget for the Rivers and Mountains Conservancy by \$10.7 million in bond funds, thereby increasing the total budget for 2004-05 to \$11.5 million.

San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

Governor's Budget Spending Totals

(Dollars in Thousands)

	Proposed for 2004-05			
	Actual 2002-03	Estimated 2003-04	Amount	Percent Change
Program:				
State Operations	\$625	\$804	\$767	-5%
Capital Outlay	575	34,325	0	-100%
Total	\$1,200	\$35,129	\$767	-98%
Funding Source:				
General Fund	\$0	\$0	\$0	-
Environmental License Plate Fund	265	263	33	-87%
Bond Funds	934	34,866	734	-98%
Total	\$1,199	\$35,129	\$767	-98%

Budget Change Proposals. No 2004-05 budget change proposals were submitted for the Rivers and Mountains Conservancy.

April Finance Letter. The following is a summary of the budget amendments requested by the administration in the 2004-05 April finance letter for the Rivers and Mountains Conservancy.

San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

April Finance Letter, 2004-05

(Dollars in Thousands)

Description	Prop 40	Prop 50	Total	Positions
Conservancy Programs. Proposes funding for capital outlay and grants for parkway and open space lands within the San Gabriel River watershed, the lower Los Angeles River watershed, and the San Gabriel Mountains.	\$6,200	\$4,500	\$10,700	0.0
Total	\$6,200	\$4,500	\$10,700	0.0

3830 San Joaquin River Conservancy

Background. The San Joaquin River Conservancy (SJRC) acquires and manages public lands within the San Joaquin river parkway, which consists of approximately 5,900 acres on both sides of the San Joaquin River between Friant Dam and the Highway 99 crossing.

Governor's Budget. The Governor's budget proposes \$347,000 to support SJRC in 2004-05. This is a 75 percent reduction from the current year due to a reduction in reimbursement funds available for capital outlay projects.

The administration's April finance letter proposes to increase the budget for SJRC by \$12 million in bond funds, thereby increasing the total budget for 2004-05 to \$12.3 million.

San Joaquin River Conservancy
Governor's Budget Spending Totals
(Dollars in Thousands)

	Actual 2002-03	Estimated 2003-04	Proposed for 2004-05 Amount	Percent Change
Program:				
State Operations	\$201	\$365	\$347	-5%
Capital Outlay	0	1,000	0	-100%
Total	\$201	\$1,365	\$347	-75%
Funding Source:				
General Fund	\$0	\$0	\$0	-
Environmental License Plate Fund	201	248	241	-3%
Bond Funds	0	117	106	-9%
<i>Budget Act Total</i>	<i>201</i>	<i>365</i>	<i>347</i>	<i>-5%</i>
Reimbursements	0	1,000	0	-100%
Total	\$201	\$1,365	\$347	-75%

Budget Change Proposals. No 2004-05 budget change proposals were submitted for SJRC.

April Finance Letter. The following is a summary of the budget amendments requested by the administration in the 2004-05 April finance letter for SJRC.

San Joaquin River Conservancy
April Finance Letter, 2004-05
(Dollars in Thousands)

Description	Reim- bursements	Prop 40	Total	Positions
Capital Outlay and Grants. Proposes funding for acquisitions and development of the San Joaquin River Parkway. Also includes a \$1 million increase in reimbursement authority for funds from local nonprofit organizations involved in the development of the parkway.	1,000	9,000	10,000	0.0
Public Access, Recreation, and Environmental Restoration. Proposes funding for capital outlay and grants to implement the five-year public access and recreation capital improvement program and advance its environmental restoration program.	-	2,000	2,000	0.0
Total	\$1,000	\$11,000	\$12,000	0.0

3835 Baldwin Hills Conservancy

Background. The Baldwin Hills Conservancy (BHC) acquires and manages public lands within the Baldwin Hills area to provide recreational facilities, open space, wildlife habitat restoration, and educational services.

Governor's Budget. The Governor's budget proposes \$393,000 to support BHC in 2004-05. This is a 99 percent reduction for the estimated expenditures in the current year due to the administration's decision to defer the majority of its bond fund proposal until later in the spring.

The administration's April finance letter proposes to increase the budget for BHC by \$7.2 million in bond funds, thereby increasing the total budget for 2004-05 to \$7.6 million.

Baldwin Hills Conservancy

Governor's Budget Spending Totals

(Dollars in Thousands)

	Actual 2002-03	Estimated 2003-04	Proposed for 2004-05	
			Amount	Percent Change
Program:				
State Operations	\$266	\$377	\$393	4%
Capital Outlay	465	37,735	0	-100%
Total	\$731	\$38,112	\$393	-99%
Funding Source:				
General Fund	\$0	\$0	\$0	-
Environmental License Plate Fund	266	266	292	10%
Bond Funds	220	22,092	101	-100%
<i>Budget Act Total</i>	<i>486</i>	<i>22,358</i>	<i>393</i>	<i>-98%</i>
Reimbursements	245	15,755	0	-100%
Total	\$731	\$38,113	\$393	-99%

Budget Change Proposals. No 2004-05 budget change proposals were submitted for BHC.

April Finance Letter. The following is a summary of the budget amendments requested by the administration in the 2004-05 April finance letter for BHC. This letter constitutes the administration's bond proposal for BHC.

Baldwin Hills Conservancy**April Finance Letter, 2004-05***(Dollars in Thousands)*

Description	Prop	Total	Positions
	40		
Conservancy Programs. Proposes funding for direct acquisition and development and grants for open space and public lands within the Baldwin Hills area of Culver City.	\$7,200	\$7,200	0.0
Total	\$7,200	\$7,200	0.0

3845 San Diego River Conservancy

Background. The San Diego River Conservancy (SDRC) acquires and manages public lands within the San Diego River Area. It acquires lands to provide recreational opportunities, open space, wildlife habitat, species protection, wetland protection and restoration, and protection and maintenance of the quality of the San Diego River.

Governor's Budget. The Governor's budget proposes \$265,000 to support SDRC in 2004-05. This is the same level of expenditures as estimated in the current year.

San Diego River Conservancy**Governor's Budget Spending Totals***(Dollars in Thousands)*

	Actual 2002-03	Estimated 2003-04	Proposed for 2004-05	
			Amount	Percent Change
Funding Source:				
Environmental License Plate Fund	\$0	\$265	\$265	0%
Budget Act Total	\$0	\$265	\$265	0%

Budget Change Proposals. No 2004-05 budget change proposals were submitted for SDRC.

April Finance Letter. No April finance letter was submitted by the administration for SDRC.

3850 Coachella Valley Mountains Conservancy

Background. The Coachella Valley Mountains Conservancy (CVMC) acquires and holds, in perpetual open space, mountainous lands surrounding the Coachella Valley and natural community conservation lands within the Coachella Valley.

Governor's Budget. The Governor's budget proposes \$407,000 to support CVMC in 2004-05. This is a 98 percent reduction from current year estimated expenditures due to the administration's decision to defer the majority of its bond fund proposal until later in the spring.

The administration's April finance letter proposes to increase the budget for CVMC by \$3.6 million in bond funds, thereby increasing the total budget for 2004-05 to \$4 million.

Coachella Valley Mountains Conservancy				
Governor's Budget Spending Totals				
<i>(Dollars in Thousands)</i>				
	Actual 2002-03	Estimated 2003-04	Proposed for 2004-05 Amount	Percent Change
Program:				
State Operations	\$232	\$391	\$407	4%
Capital Outlay	3,869	20,592	0	-100%
Total	\$4,101	\$20,983	\$407	-98%
Funding Source:				
General Fund	\$0	\$0	\$0	-
Special Funds	128	261	288	10%
Bond Funds	3,844	14,728	100	-99%
<i>Budget Act Total</i>	<i>3,972</i>	<i>14,989</i>	<i>388</i>	<i>-97%</i>
Reimbursements	129	5,994	19	-100%
Total	\$4,101	\$20,983	\$407	-98%

Budget Change Proposals. No 2004-05 budget change proposals were submitted for CVMC.

April Finance Letter. The following is a summary of the budget amendments requested by the administration in the 2004-05 April finance letter for CVMC. This letter constitutes the administration's bond proposal for CVMC.

Coachella Valley Mountains Conservancy				
April Finance Letter, 2004-05				
<i>(Dollars in Thousands)</i>				
Description	Proposition 12	Proposition 40	Total	Positions
Capital Outlay and Grants. Proposes funding for capital outlay and grants for acquisition, protection, and development of lands within the Coachella Valley and the surrounding mountains.	\$686	\$2,871	\$3,557	0.0
Total	\$686	\$2,871	\$3,557	0.0

Appendix C—DWR Bond Proposal

Department of Water Resources

April Finance Letter - Bond Funds, 2004-05

(Dollars in Thousands)

Description	Prop 13	Prop 50	Prop 204	Other Bonds	Total	Personnel Years
Arroyo Pasajero Flood Control. Proposes funding for improvements to existing flood control facilities at the San Luis Canal/California Aqueduct juncture with the Arroyo Pasajero stream.	\$4,750	-	-	-	4,750	0.0
	3,742	-	-	-	3,742	0.0
Flood Control Subventions. Proposes funding for local flood control subventions to fund federally authorized flood control projects.						
Yuba Feather Flood Protection Program. Proposes funding for grants to address flooding along the Yuba/Feather River and the Colusa Basin Drain. Baseline support for this program was included in the January 10 budget proposal (\$978,000 Prop 13).	16,855	-	-	-	16,855	0.0
Groundwater Storage Grant Program. Proposes to provide funding for this program. These funds were originally appropriated several years ago, but reverted at the end of 2002-03 because the department did not expend these funds.	77,336	-	-	-	77,336	0.0
Proposition 13 Administration. Proposes funding for the fiscal administration, coordination, and oversight of Proposition 13 funding.	248	-	-	-	248	2.0
Local Water Projects. Proposes to fund eligible construction projects or feasibility studies for various water reliability projects. These funds were originally appropriated several years ago, but were reverted at the end of 2002-03 because the department did not expend these funds.	-	-	3,289	-	3,289	0.0
CALFED Watershed Program. Proposes funding for competitive grants to carry out the CALFED Watershed Program. Proposal requests \$250,000 and 2 positions for administration of this program. Also proposes budget bill language to enable funding to be encumbered through 2006-07.	-	19,250	-	-	19,250	2.0
CALFED Watershed Program. Proposes additional support for this program. Baseline support for this program was also included in the January 10 budget (\$813,000 Prop 50).	-	872	-	-	872	0.0

<i>CALFED Conveyance Program - Delta Cross Channel.</i> Proposes funding to complete the technical feasibility of reoperating the Delta Cross Channel, constructing a through-Delta facility, and restoring Franks Tract. These projects are part of stage 1 actions in the CALFED ROD.	8,800	-	-	-	8,800	0.0
<i>CALFED Conveyance Program - Clifton Court Fish Screens.</i> Proposes to collect information to determine the adequacy of fish screens to be installed at a new State Water Project intake at the north end of Clifton Court Forebay.	1,101	-	-	-	1,101	0.0
<i>CALFED Conveyance Program.</i> Proposes additional funding for this program. Baseline support for this program was included in the January 10 budget proposal (\$858,000 Prop 13). No new Prop 50 funds were allocated to the conveyance program.	1,336	-	-	-	1,336	0.0
<i>CALFED Ecosystem Restoration Program.</i> Proposes funding to support DWR's Aquatic Restoration Planning and Implementation section and 4 positions for planning and implementing habitat restoration actions in the Yolo Bypass. This proposal continues a program previously supported by Proposition 204 and supports implementation of the CALFED ROD, including the Ecosystem Restoration Program Plan and Multi-Species Conservation Strategy.	-	1,000	-	-	1,000	0.0
<i>CALFED Ecosystem Restoration Program.</i> Proposes additional support for this program. Baseline support for this program was included in the January 10 budget proposal (\$553,000 Prop 50).	10,016	579	-	-	10,595	0.0
<i>CALFED Environmental Water Account.</i> Proposes additional funding for this program. Baseline support for this program was included in the January 10 budget proposal (\$570,000 Prop 50).	-	31,768	-	-	31,768	0.0
<i>CALFED Levee Program.</i> Proposes \$3.1 million additional support for this program. Baseline support for this program was also included in the January 10 budget (\$1.5 million Prop 50). Also proposes \$16.8 million for program implementation.	-	19,873	-	-	19,873	0.0

CALFED Storage Program. Proposes additional support for the storage program. Baseline support for this program was included in the January 10 budget proposal (\$5.4 million Prop. 50).	-	13,639	-	-	13,639	0.0
CALFED Science Program. Proposes support for this program.	2,030	-	-	-	2,030	0.0
CALFED Drinking Water Quality. Proposes additional support for this program. Baseline support for this program was included in the January 10 budget proposal (\$146,000 Prop 50).	2,022	15	-	-	2,037	0.0
CALFED Water Supply Reliability. Proposes additional support for this program. Baseline support for this program was included in the January 10 budget (\$1.8 million Prop 50).	-	30	-	-	30	0.0
CALFED Water Use Efficiency. No new Prop 50 funds were provided for this program. Baseline support for this program was included in the January 10 budget proposal (\$845,000 Prop 50).	-	0	-	-	0	0.0
Drought Panel Recommendations. Proposes funding for grants to implement the drought panel recommendations consistent with the level of funding approved in the 2003-04 Budget Act .	-	6,400	-	-	6,400	0.0
Desalination. Proposes additional support for this program. Baseline support for this program was included in the January 10 budget (\$112,000 Prop 50).	-	137	-	-	137	0.0
Integrated Regional Water Management. Proposes additional support for this program. Baseline support for this program was included in the January 10 budget (\$395,000 Prop 50).	-	5	-	-	5	0.0
Colorado River. Proposes local assistance funding for the Colorado River program.	-	300	-	-	300	0.0
Drinking Water Pilot Projects. No new Prop 50 funds were provided for this program.	-	0	-	-	0	0.0
Water Conservation Projects. Proposes to restore funding for various water conservation projects consistent with the schedule approved in the 2003-04 Budget Act. Proposes \$18 million Prop 13 for infrastructure rehabilitation grants and \$8.3 million Prop 13 for agricultural water conservation loans and grants.	26,282	-	-	10,574	36,856	0.0

<i>Flood Protection Corridor Program.</i>	222	-	-	-	222	0.0
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Proposes to restore support budget to its original funding level. Also proposes to revert \$1.1 million in local assistance funding that was over allocated to this program in the 2003-04 Budget Act .

Total	\$154,740	\$93,868	\$3,289	\$10,574	\$262,471	4.0
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Department of Water Resources**April Finance Letter - Bond Fund Reappropriations, 2004-05***(Dollars in Thousands)*

Description	Proposition			Total
	13	50	204	
<i>Sacramento Valley Water Management Agreement.</i> Proposes to reappropriate funds to support this agreement due to delays in getting approval from the State Water Resources Control Board for expenditure of these funds.	-	-	\$2,240	\$2,240
<i>CALFED Conveyance Program.</i> Proposes to reappropriate funds to continue to study how the water and fish are influenced by various operational changes in the Delta. The completion of these studies has been delayed by their complexity.	5,030	-	-	5,030
<i>CALFED Conveyance Program.</i> Proposes reappropriation of funds to continue science supporting the CALFED fish collection, handling, transportation, and release study, which has been delayed due to complexity.	-	100	-	100
<i>CALFED Science Program.</i> Proposes to reappropriate funds to study how fish are affected by export operations in the Delta, which was delayed due to lack of available staff.	2,030	-	-	2,030
<i>CALFED Water Supply Reliability Program.</i> Proposes to reappropriate funds to provide possible long-term financing of the Environmental Water Account and to provide \$1.4 million to supplement Prop 13 funding for groundwater storage projects.	-	72,360	-	72,360
<i>Water Use Efficiency.</i> Proposes to reappropriate funds for the water use efficiency grant program due to delays in the grant process.	-	34,240	-	34,240
<i>Drinking Water Pilot Projects.</i> Proposes to reappropriate funds for pilot projects to remove drinking water contaminants to allow coordination with the Department of Health Services.	-	11,450	-	11,450
<i>CALFED Surface Storage Program.</i> Proposes to reappropriate funds for surface storage investigations due to contracting delays.	-	10,744	-	10,744
<i>CALFED Watershed Program.</i> Proposes to reappropriate funds for technical assistance and capacity building efforts delayed due to delays in the grant process.	-	1,000	-	1,000
<i>CALFED Ecosystem Restoration Program.</i> Proposes to reappropriate funds to continue an existing contract to improve the salmonid passage at Daguerre Point Dam.	-	140	-	140
<i>Integrated Regional Water Management Program.</i> Proposes to reappropriate funds for the integrated regional water management grant program due to delays in the grant process.	-	49,830	-	49,830
<i>Desalination Grants.</i> Proposes to reappropriate funds for the desalination grant program due to delays in the grant process.	-	25,000	-	25,000
<i>Drought Panel Implementation.</i> Proposes to reappropriate funds to implement drought panel program recommendations due to delays in the grant process.	-	6,400	-	6,400
Total	\$7,060	\$211,264	\$2,240	\$220,564

Appendix D—CALFED Bay-Delta Program Funding Summary

Proposed State FY 2004-05 CALFED Bay-Delta Program Funding ¹
(dollars in thousands)
April 19, 2004

	General Fund	Prop 204	Prop 13	Prop 50 ²	SWP ³	Other ⁴	Total State Funding	Federal Reimb ⁵	Total (including Fed Reimb)
Ecosystem Restoration	\$946	\$1,573	\$10,016	\$81,185	\$7,331		\$101,051	\$295	\$101,346
BDA (Jan 10 Budget)	\$246			\$533			\$779		\$779
BDA (Spring Revision)				\$5,217			\$5,217		\$5,217
Subtotal (BDA)	\$246			\$5,750			\$5,996		\$5,996
DWR (Jan 10 Budget)		\$1,573		\$553	\$7,331		\$9,457		\$9,457
DWR (Spring Revision)			\$10,016	\$1,579			\$11,595		\$11,595
Subtotal (DWR)		\$1,573	\$10,016	\$2,132	\$7,331		\$21,052		\$21,052
DFG (Jan 10 Budget)	\$700			\$1,000			\$1,700	\$295	\$1,995
DFG (Spring Revision)				\$72,303			\$72,303		\$72,303
Subtotal (DFG)	\$700			\$73,303			\$74,003	\$295	\$74,298
EWA	\$55		\$0	\$32,498			\$32,553		\$32,553
BDA (Jan 10 Budget)	\$55						\$55		\$55
Subtotal (BDA)	\$55						\$55		\$55
DWR (Jan 10 Budget)				\$570			\$570		\$570
DWR (Spring Revision)				\$31,768			\$31,768		\$31,768
Subtotal (DWR)				\$32,338			\$32,338		\$32,338
DFG (Jan 10 Budget)				\$160			\$160		\$160
Subtotal (DFG)				\$160			\$160		\$160
Water Use Efficiency	\$1,444		\$8,640	\$1,723		\$1,696	\$13,503		\$13,503
BDA (Jan 10 Budget)	\$333						\$333		\$333
Subtotal (BDA)	\$333						\$333		\$333
DWR (Jan 10 Budget)	\$1,111		\$358	\$845		\$1,696	\$4,010		\$4,010
DWR (Spring Revision)			\$8,282				\$8,282		\$8,282
Subtotal (DWR)	\$1,111		\$8,640	\$845		\$1,696	\$12,292		\$12,292
SWRCB (Jan 10 Budget)			\$0	\$510			\$510		\$510
SWRCB (Spring Revision)				\$368			\$368		\$368
Subtotal (SWRCB)			\$0	\$878			\$878		\$878
Water Transfers	\$460					\$144	\$604		\$604
DWR (Jan 10 Budget)	\$460						\$460		\$460
Subtotal (DWR)	\$460						\$460		\$460
SWRCB (Jan 10 Budget)						\$144	\$144		\$144
Subtotal (SWRCB)	\$0					\$144	\$144		\$144
Watershed	\$117			\$28,491			\$28,608		\$28,608
BDA (Jan 10 Budget)	\$117			\$55			\$172		\$172
BDA (Spring Revision)				\$3,751			\$3,751		\$3,751
Subtotal (BDA)	\$117			\$3,806			\$3,923		\$3,923
DWR (Jan 10 Budget)				\$813			\$813		\$813
DWR (Spring Revision)				\$20,122			\$20,122		\$20,122
Subtotal (DWR)				\$20,935			\$20,935		\$20,935
DOC (Jan 10 Budget)							\$0		\$0
DOC (Spring Revision)				\$3,225			\$3,225		\$3,225
Subtotal (DOC)				\$3,225			\$3,225		\$3,225
CDF (Jan 10 Budget)							\$0		\$0
CDF (Spring Revision)				\$240			\$240		\$240
Subtotal (CDF)				\$240			\$240		\$240
SWRCB (Jan 10 Budget)				\$285			\$285		\$285
Subtotal (SWRCB)				\$285			\$285		\$285

Proposed State FY 2004-05 CALFED Bay-Delta Program Funding ¹
(dollars in thousands)
April 19, 2004

	General Fund	Prop 204	Prop 13	Prop 50 ²	SWP ³	Other ⁴	Total State Funding	Federal Reimb ⁵	Total (including Fed Reimb)
Drinking Water Quality	\$231		\$2,022	\$697			\$2,950		\$2,950
BDA (Jan 10 Budget)	\$150						\$150		\$150
Subtotal (BDA)	\$150						\$150		\$150
DWR (Jan 10 Budget)	\$81			\$146			\$227		\$227
DWR (Spring Revision)			\$2,022	\$15			\$2,037		\$2,037
Subtotal (DWR)	\$81		\$2,022	\$161			\$2,264		\$2,264
SWRCB (Jan 10 Budget)				\$536			\$536		\$536
Subtotal (SWRCB)				\$536			\$536		\$536
Levees	\$14			\$21,391	\$373		\$21,778		\$21,778
BDA (Jan 10 Budget)	\$14						\$14		\$14
Subtotal (BDA)	\$14						\$14		\$14
DWR (Jan 10 Budget)				\$1,518	\$373		\$1,891		\$1,891
DWR (Spring Revision)				\$19,873			\$19,873		\$19,873
Subtotal (DWR)				\$21,391	\$373		\$21,764		\$21,764
Storage	\$334		\$79,224	\$25,731			\$105,289	\$3,607	\$108,896
BDA (Jan 10 Budget)	\$334						\$334		\$334
Subtotal (BDA)	\$334						\$334		\$334
DWR (Jan 10 Budget)			\$1,888	\$5,357			\$7,245	\$3,667	\$10,912
DWR (Spring Revision) ⁶			\$77,336	\$20,039			\$97,375	-\$60	\$97,315
Subtotal (DWR)			\$79,224	\$25,396			\$104,620	\$3,607	\$108,227
DFG (Jan 10 Budget)				\$335			\$335		\$335
Subtotal (DFG)				\$335			\$335		\$335
Conveyance	\$1,116		\$12,095	\$0	\$19,462		\$32,673		\$32,673
BDA (Jan 10 Budget)	\$556						\$556		\$556
Subtotal (BDA)	\$556						\$556		\$556
DWR (Jan 10 Budget)	\$465		\$858		\$19,462		\$20,785		\$20,785
DWR (Spring Revision)			\$11,237				\$11,237		\$11,237
Subtotal (DWR)	\$465		\$12,095		\$19,462		\$32,022		\$32,022
DFG (Jan 10 Budget)	\$95						\$95		\$95
Subtotal (DFG)	\$95						\$95		\$95
Science	\$3		\$2,030	\$13,364	\$6,201	\$1,050	\$22,648	\$2,463	\$25,111
BDA (Jan 10 Budget)	\$3			\$296			\$299		\$299
BDA (Spring Revision)				\$12,768			\$12,768		\$12,768
Subtotal (BDA)	\$3			\$13,064			\$13,067		\$13,067
DWR (Jan 10 Budget)					\$6,201		\$6,201		\$6,201
DWR (Spring Revision)			\$2,030				\$2,030	\$2,000	\$4,030
Subtotal (DWR)			\$2,030	\$0	\$6,201		\$8,231	\$2,000	\$10,231
DFG (Jan 10 Budget)				\$300		\$1,050	\$1,350	\$463	\$1,813
Subtotal (DFG)				\$300		\$1,050	\$1,350	\$463	\$1,813
Water Supply Reliability				\$1,834			\$1,834		\$1,834
DWR (Jan 10 Budget)				\$1,804			\$1,804		\$1,804
DWR (Spring Revision)				\$30			\$30		\$30
Subtotal (DWR)				\$1,834			\$1,834		\$1,834

Proposed State FY 2004-05 CALFED Bay-Delta Program Funding ¹
(dollars in thousands)
April 19, 2004

	General Fund	Prop 204	Prop 13	Prop 50 ²	SWP ³	Other ⁴	Total State Funding	Federal Reimb ⁵	Total (including Fed Reimb)
Program Oversight & Coordination	\$7,320						\$7,320	\$5,000	\$12,320
BDA (Jan 10 Budget)	\$6,707						\$6,707	\$5,000	\$11,707
Subtotal (BDA)	\$6,707						\$6,707	\$5,000	\$11,707
DWR (Jan 10 Budget)	\$263						\$263		\$263
Subtotal (DWR)	\$263						\$263		\$263
DFG (Jan 10 Budget)	\$166						\$166		\$166
Subtotal (DFG)	\$166						\$166		\$166
BCDC (Jan 10 Budget)	\$88						\$88		\$88
Subtotal (BCDC)	\$88						\$88		\$88
DOC (Jan 10 Budget)	\$96						\$96		\$96
Subtotal (DOC)	\$96						\$96		\$96
GRAND TOTAL	\$12,040	\$1,573	\$114,027	\$206,914	\$33,367	\$2,890	\$370,811	\$11,365	\$382,176

¹ January 10 Budget amounts include base amounts plus current year adjustments that were made after the FY 03-04 Supplemental report was published, including executive order reductions and Section 3.60 retirement contribution adjustments. Baseline adjustments to FY 04-05 amounts include retirement adjustments, one-time cost adjustments, etc. State reimbursable authority is not included in this table to avoid double-counting.

² Prop 50 total includes Chapter 7 funding. Chapters 4, 5, 6, & 8 include funding for statewide programs. It is expected that a portion of the funding from these chapters will support California Bay-Delta Program (CBDP) objectives. However, funding from these chapters will not be included in the CALFED totals until projects are selected and the amount that will support CALFED objectives is known.

³ State Water Project funds will be credited as part of the water user/local share.

⁴ Other funding sources include: Energy Resources Program Account (DWR), Water Rights Fund (SWRCB), and the Striped Bass Stamp Fund (DFG).

⁵ Federal Reimbursements provide authority for the State to spend federal funds. The amounts shown in this table represent the budgeted authorities for the State departments, but actual federal funding may or may not be provided for these purposes.

⁶ DWR storage total includes \$6.4 million from Prop 50, Chapter 8 for the Local Groundwater Assistance Program and \$77.3 million from Prop 13 for groundwater storage that was originally budgeted for Year 3, but not spent.